

# **CITY OF READING, PENNSYLVANIA**

## **FINANCIAL FORECAST**

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**February 2006**



**MANAGEMENT PARTNERS**  
INCORPORATED



**MANAGEMENT PARTNERS**  
INCORPORATED

March 10, 2006

Leon Churchill  
Managing Director  
City of Reading  
815 Washington Street, Room 2-27  
Reading, PA 19601-3690

Dear Leon,

Management Partners Inc. is pleased to submit its financial forecast for the City of Reading. While I wish that the financial forecast could have been much rosier, I understand that you desire an objective and realistic assessment of Reading's financial condition. Indeed, that is what this report provides.

I believe this tool will be enormously helpful to you, the Mayor and members of City Council as you devise a strategy for turning Reading's fiscal condition from bleak to bright. Without a clear understanding of where you are and where current trends are taking you, it would be difficult to develop a successful financial recovery strategy.

In addition to the written report, I have included a disc that has the financial model on a Microsoft Excel spreadsheet. Anyone who is proficient with Excel can easily understand how the model works and will be able to use it in the course of future financial analyses and budget development.

Management Partners stands ready to present the results of our analysis to you and other members of the Reading staff as you see fit.

The project team said it was a pleasure to work with Ryan Hottenstein of your staff on this project. He was quick to respond to our data needs and very helpful in getting our team to a level of understanding of the intricacies of your financial environment.

Sincerely,

Gerald E. Newfarmer  
President and CEO

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## EXECUTIVE SUMMARY

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The City of Reading is facing major financial challenges that it must prepare to address to avoid Act 47 (Pennsylvania Statutes for municipal bankruptcy) proceedings. Reading's operating expenses continue to increase while its major revenue sources only grow when the City increases the tax rates. To develop a coherent strategy for dealing with this challenge, the City of Reading retained Management Partners Inc. through a grant from the Commonwealth of Pennsylvania's Early Intervention Program (EIP). Our job was to determine the current trends regarding general fund income and expense, to forecast future financial conditions and provide a forecasting model that can be used for subsequent budget development.

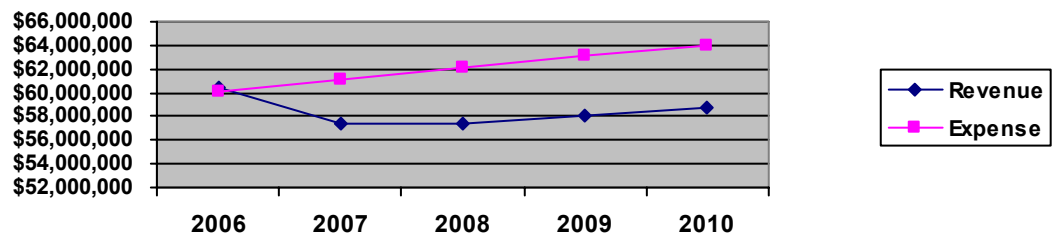
The analysis and financial forecast model developed indicates that Reading is, indeed, facing a serious and immediate financial challenge. Revenues are growing slowly, if at all, while expenses increase due to higher labor cost and cost of goods purchased. The financial forecast developed based on current revenue and expenditure trends predicts that Reading faces an accumulated shortfall of more than \$25 million by 2010. Table 1 below summarizes the forecast.

**TABLE 1: CITY OF READING GENERAL FUND FINANCIAL FORECAST**

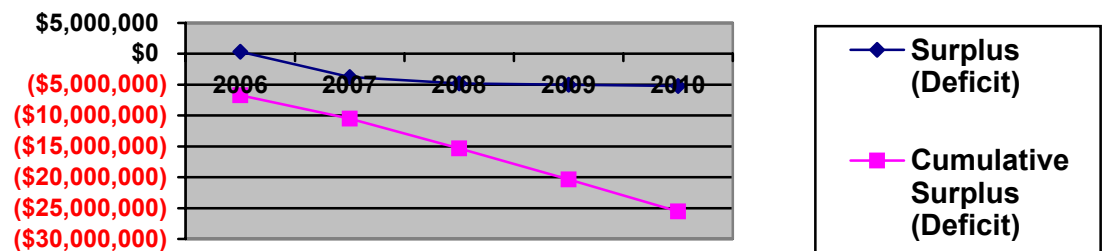
	<b>2006 Budget</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Beginning Surplus/(Deficit)	(\$7,062,699)	(\$6,740,983)	(\$10,522,949)	(\$15,318,634)	(\$20,337,313)
Revenue	\$60,379,758	\$57,392,070	\$57,324,984	\$58,032,272	\$58,764,964
Expense	\$60,058,042	\$61,174,036	\$62,120,669	\$63,050,951	\$63,985,525
Annual Surplus/(Deficit)	\$321,716	(\$3,781,966)	(\$4,795,685)	(\$5,018,679)	(\$5,220,560)
Cumulative Surplus/(Deficit)	(\$6,740,983)	(\$10,522,949)	(\$15,318,634)	(\$20,337,313)	(\$25,557,873)

The detailed financial forecast is included as Attachment A to this report.

**FIGURE 1: GENERAL FUND FINANCIAL FORECAST**



**FIGURE 2: GENERAL FUND SURPLUS AND CUMULATIVE SURPLUS (DEFICIT)**



## STUDY METHODOLOGY

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The financial forecast has been developed after reviewing the 2005 City of Reading Budget and the 2004 Pennsylvania Economy League's study entitled "Updated Analysis of the Present and Prospective Financial Condition of the City of Reading". Management Partners also held discussions with finance staff to develop background on revenue and expenditure history.

Revenue line items were bundled into common categories and their performance against inflation was charted. That analysis is shown in Attachment B. Revenue category performance histories were documented for the years 2000 through 2004 and adjusted for the impact of any rate increases. The historic performance trends were then applied to the 2006 Budget revenue estimates provided by the City Administration.

By the beginning of 2006, the City's General Fund had an accumulated deficit of \$7,062,699 that resulted from an operating deficit of \$5,013,580 carried over from 2004 and from absorbing a \$2,049,119 deficit from the Emergency Medical Services Fund experienced when the City took this service over in 2005.

On the expense side, known future cost increases, such as labor contracts that have already been approved, were included in future year estimates. The historic impact of inflation on the cost of goods purchased also has been factored into the expense side of the forecast.

The revenue and expense analyses have been formatted into a spreadsheet, with forecast formulae built in, so that financial staff can easily use the model for future budget development and to analyze the impact of financial options on future financial conditions.

## **ANALYSIS AND DETERMINATIONS**

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This section of the report details the results of the analysis and the determination of factors used for constructing the financial forecast and model.

### **Revenue Analysis**

Revenues have been consolidated into categories since many of the line items are similar as to how income is generated. The categories used are:

- Real estate taxes
- Act 511 Taxes, subdivided into
  - Earned Income Tax
  - Real Estate Transfer Tax
  - All other Act 511 taxes
- Licenses, permits and fines
- Charges for service
- Intergovernmental revenue
- Other revenue/reimbursements
- Interest and rent
- Emergency medical service fees
- Transfer payments
- One-time resources

The aggregation of specific line items of revenue into the broader categories is shown in detail in Attachment C.

### **Real Estate Taxes**

This category includes the real estate tax received as allowed by State law and the City Charter. The current tax rate is 10.3 mills of assessed value. Prior year payments and penalty and interest income on late payments are included. Discounts for early payments are netted out of the final figure.

Real Estate Tax revenues are forecast as stable from 2007 through 2010, with no growth projected during that time, as depicted in Table 2 below. This factor is based on prior years' actual collections. From 2000 through 2004, real estate taxes grew a compounded negative 0.7%. With



consideration being given to the increased property sales of the past several years, the historical growth rate was adjusted in the forecast to zero percent.

The baseline is the estimate approved by the City Council for the 2006 budget -- \$15,029,598. The 2006 baseline estimate is also the forecast estimate used for each year from 2007 through 2010.

One of the constraints that the City of Reading operates under is a Charter limitation on property tax increases that limits new revenues collected from this revenue source to 5% of the previous year's collection. Interestingly, the City is below the maximum tax rate established by the Commonwealth of Pennsylvania of 25 mills. In recent years, the elected officials have been hesitant to increase property taxes, despite gloomy financial predictions. This hesitance compounds each year, as the additional annual revenue is lost in perpetuity.

Even increasing the Real Estate Tax by the maximum allowable amount in each of the following years has the impact of decreasing the cumulative deficit by only \$3,238,972. Table 3 (following page) illustrates the impact on the projected deficit of increasing Property Tax revenue by 5% a year.

**TABLE 2: REAL ESTATE TAX FINANCIAL FORECAST**

<b>Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Real Estate Tax Revenue	\$15,029,598	\$15,029,598	\$15,029,598	\$15,029,598	\$15,029,598

**TABLE 3: IMPACT OF 5% INCREASE IN PROPERTY TAX REVENUE ON PROJECTED DEFICIT**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Property Tax Revenue	\$15,029,598	\$15,781,078	\$16,570,132	\$17,398,638	\$18,268,570
5% Increase Amount	NA	\$751,480	\$789,054	\$828,507	\$869,932
Cumulative Increase Amount	NA	\$751,480	\$1,530,534	\$2,369,040	\$3,238,972

Table 4 projects the impact on property taxes if that source were increased to eliminate the annual budget deficit.

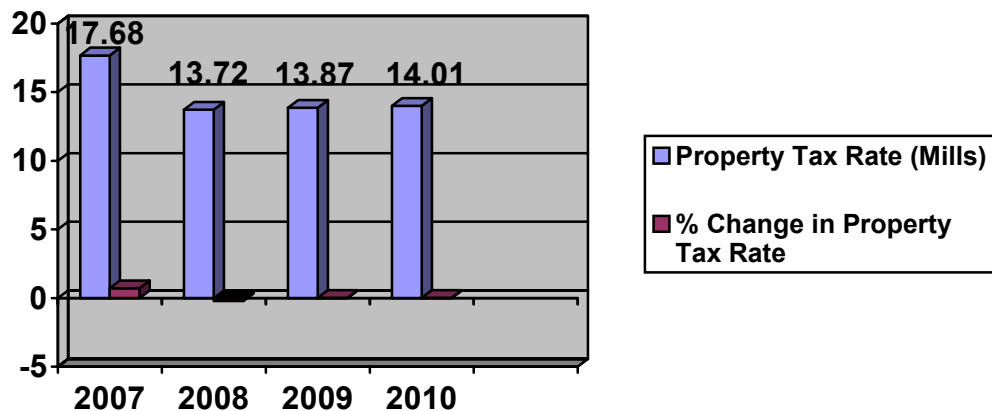
**TABLE 4: PROPERTY TAX INCREASES NEEDED TO ELIMINATE PROJECTED DEFICIT**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Original Projected Deficit	\$10,522,949	\$4,795,685	\$5,018,679	\$5,220,560
Assessed Value	\$1,445,153,000	\$1,445,153,000	\$1,445,153,000	\$1,445,153,000
Property Tax Rate (Mills)	17.68	13.72	13.87	14.01
Property Tax Revenue	\$25,552,547	\$19,825,283	\$20,048,277	\$20,250,158
% Change in Property Tax Rate	72%	-22%	1%	1%
\$ Change in Property Tax Revenue	\$10,522,547	-\$5,727,264	\$222,994	\$201,881

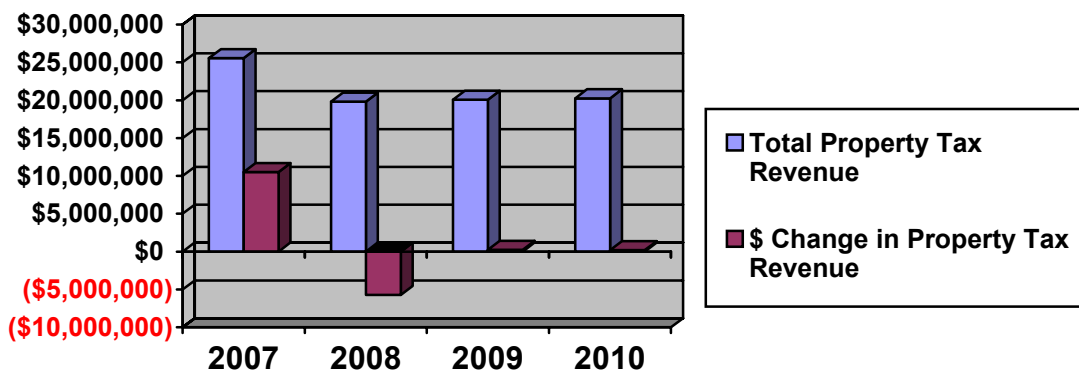
Table 4 indicates that the property tax rate would have to increase from the current 10.4 mill rate to 14.01 mills by 2010, an increase of 37%, assuming no increase in assessed value. The County has not re-assessed property since 1994.

However, a reassessment of property would only change the mill rate needed to balance the budget. The amount of money needed to balance the budget would not change, so reassessment would not provide tax relief since the total amount of property tax revenue required would not be different.

**FIGURE 3: PROPERTY TAX RATE CHANGES (MILLS) AND PERCENTAGE CHANGE IN PROPERTY TAX REVENUE**



**FIGURE 4: TOTAL PROPERTY TAX REVENUE AND \$ CHANGE IN PROPERTY TAX REVENUE**



These tables illustrate that it is not likely that increasing property taxes is the sole solution to the problem. However, it is also clear that property tax increases are likely to be an element of the solution.

### **Act 511 Taxes**

This category of taxes includes the Earned Income Tax, the Real Estate Transfer Tax, Per Capita Tax, Business Privilege Tax, and the Occupation Tax.

#### ***Earned Income Tax***

This tax represents payments made on income earned by residents of Reading. The Earned Income Tax rate was increased to 1.7% for the 2005 fiscal year.

The Earned Income Tax is forecast to grow at a rate of 1% per year. This factor mirrors the history of collections from 2000 through 2003 after factoring out the impact of two rate increases during that time period. The baseline is the 2006 budget estimate approved by City Council - \$7,852,326. Applying the 1% growth rate to this revenue source results in an estimated \$8,171,162 in income in the year 2010, an increase of slightly more than \$300,000.

#### ***Real Estate Transfer Tax***

The Real Estate Transfer Tax represents the amounts paid by sellers of real property in Reading as a percent of sale price. The City Council approved a rate increase to 3.5% for the 2006 budget. The prior rate was 2%. The baseline amount projected for the increased rate in 2006 is \$4,760,000.

Revenue from the Real Estate Transfer Tax is projected to increase by 5% annually through 2010. This factor is based on the long-term rate of property value increases in Pennsylvania.

Based on the newly increased rate and the annual growth factor, income from this source is expected to reach nearly \$6.8 million in 2010.

#### ***Other Act 511 Taxes***

The remaining taxes in this category are the Per Capita Tax, Business Privilege Tax, and the Occupation Tax. After adjusting for the impact of rate increases, historic collections have been virtually flat, increasing at an average of 0.75% annually.

Baseline amounts for these taxes are as adopted by City Council for the 2006 Budget and are as follows:

- Per Capita Tax - \$110,000
- Business Privilege Tax - \$1,465,000
- Occupation Tax - \$1,465,000

These three taxes total \$3,040,000 in estimated 2006 revenue. Applying the historic growth rate to the base yields a projection that this income will increase by approximately \$92,000 by the year 2010, to an estimated \$3,132,000.

**TABLE 5: ACT 511 TAXES FINANCIAL FORECAST**

<b>Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Earned Income Tax	\$7,852,326	\$7,930,849	\$8,010,158	\$8,090,259	\$8,171,162
Real Estate Transfer Tax	\$4,760,000	\$4,998,000	\$5,247,900	\$5,510,295	\$5,785,810
Other 511 Taxes	\$3,040,000	\$3,062,800	\$3,085,771	\$3,108,914	\$3,132,231
<b>Total 511 Taxes</b>	<b>\$15,652,326</b>	<b>\$15,991,649</b>	<b>\$16,343,829</b>	<b>\$16,709,468</b>	<b>\$17,089,203</b>

### **Licenses, Permits and Fines**

This category accounts for more than 50 specific types of revenue items including various building permits, court fines, licenses and franchise fees. Each of these items has a distinct rate and application that is subject to change upon approval of the City Council. Examples of some of the more substantial revenue items in this category include:

- New construction permits - \$235,000
- Remodeling permits - \$200,000
- Business privilege license - \$300,000
- Trade licenses - \$199,000
- Housing fees - \$825,000
- Franchise fees - \$770,000
- Traffic fines - \$360,000
- District Court summary offense fines - \$750,000
- Parking ticket revenue - \$430,000

This category of revenue has grown by an average annual rate of 1.7% historically. Given the large number of specific line items in this category, it was not possible to determine what proportion of the overall growth has been due to rate changes and what proportion is due to higher volume. The assumption for the growth factor used is that the City will make rate adjustments to these sources in the future, as it has in the past, to account for the impact of inflation on cost of service.

The baseline estimate approved by City Council for the 2006 budget for the revenue items included in this category is \$5,186,283. We anticipate that income from these revenue sources will grow to nearly \$5,548,000 by 2010, an increase of approximately \$361,000. Table 6 below depicts this growth.

**TABLE 6: LICENSES, PERMITS AND FINES FINANCIAL FORECAST**

<b>Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Licenses, Permits and Fines	\$5,186,283	\$5,274,450	\$5,254,115	\$5,455,305	\$5,548,046

### **Charges for Service**

This category of revenue includes charges by the City for various services provided. It includes items such as tax collection services it provides for the School District, charges for copies of police reports, and various recreation programs. This category also includes the admissions tax, which at \$625,000 of a total of \$1,708,000 projected income for the category is the single largest line item.

Admissions tax is difficult to predict in terms of growth. Future income from this source is a function of the quality of the productions offered. Prudence dictates that this income source be projected at a flat rate of growth. The balance of the items in this category has shown an historical growth rate of 4.9%. The baseline estimate is \$1,708,127, as approved by City Council for the 2006 Budget, and is projected to grow to \$1,936,000 in 2010.

**TABLE 7: CHARGES FOR SERVICE FINANCIAL FORECAST**

<b>Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Charges for Service	\$1,708,127	\$1,761,200	\$1,816,874	\$1,875,276	\$1,936,539

### **Intergovernmental Revenue**

This category covers revenue paid by other governments to the City. The two most significant payments are the Commonwealth of Pennsylvania payment for pension contributions (\$3,046,766) and the County payment for the Reading Public Library (\$1,034,047). Together, these two payments constitute \$4,080,813 of a total expected income of \$4,691,813 in this category – 87%.

The baseline estimate for this category of revenue is projected to decrease by 0.1% a year over the next four years. The amount of the State's payment for pension contributions varies with a number of factors, including certain revenue collections dedicated to this purpose, the number of police and fire personnel in the City, the number of non-uniformed employees, the same numbers for other cities, and the total

pension liability for the city. The forecast model projects that income from these sources will remain virtually the same by 2010, due to the unpredictability of the primary items in the category. This is depicted in Table 8 below.

**TABLE 8: INTERGOVERNMENTAL REVENUE FINANCIAL FORECAST**

<b>Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Intergovernmental Revenue</b>	\$4,691,813	\$4,687,121	\$4,682,434	\$4,677,752	\$4,673,074

### **Other Revenue/Reimbursements**

This category of revenue covers more than 50 different line items. The primary sources are reimbursements from the City's enterprise funds for services funded by the City's general fund. An example of this is the anticipated \$638,000 indirect cost reimbursement from the Sewer Fund. The indirect cost reimbursement levies the Sewer fund for its share of total City overhead costs, such as legal, finance, human resource and general management services funded by the general fund but used by non-general fund agencies.

This revenue category has grown nearly 5% compounded over the 2002 – 2004 period. A good deal of that growth appears to be due to adding new revenue line items to the mix. Given the large number of line items in the category, it is difficult to determine how much of the growth is due to the addition of new line items and how much is based on volume growth. Given that the historic rate of 5% annual increase is due at least in part to category expansion as opposed to real growth, the model uses an annual 3% growth rate and assumes that there will be no new significant line items added to this category of income.

The 2006 baseline estimate approved by City Council for the items in this category totals \$3,064,097 and is expected to grow to approximately \$3,448,000 by the end of 2010, an increase of approximately \$384,000.

**TABLE 9: OTHER REVENUE/REIMBURSEMENTS FINANCIAL FORECAST**

<b>Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Other Revenue/Reimbursements</b>	\$3,064,097	\$3,156,020	\$3,250,701	\$3,348,222	\$3,448,668

### **Interest and Rent**

This category includes interest earnings on City investments, the rent paid by the Parking Authority and the Development Fund.

The forecast model projects these revenue accounts to remain stable over the next five years at the approved 2006 baseline of \$2,197,000. Rents are stabilized by fixed contract amounts. Interest on invested city revenues will likely fluctuate by small amounts, influenced by the average amount of funds available for investment and movement of interest rates.

**TABLE 10: INTEREST AND RENT FINANCIAL FORECAST**

<b>Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Interest and Rent	\$2,197,000	\$2,197,000	\$2,197,000	\$2,197,000	\$2,197,000

### **Emergency Medical Service Fees**

Income in this category derives from payments from direct users or third party insurers for emergency medical services.

Historic annual increase in use of this service has been approximately 4% while provided by the medical community. There is no reason to think such a pattern will either increase or decrease significantly from that historic amount. Billing rates for the service are largely determined by the Federal Government's payment schedule for Medicare and Medicaid. Private insurers generally cap their payments at the Medicare/Medicaid rates also.

Given this billing environment, increased revenue is most likely to be entirely a function of increased use rather than increased rates. In fact, we recommend caution because the Federal Government is likely to continue its quest to reduce Medicare/Medicaid costs by driving rates down for emergency medical service. At this time, we recommend using the historic 4% usage growth rate.

The baseline estimate of \$2,293,300 is as approved by City Council for the 2006 budget. By 2010, the forecast model projects revenue of nearly \$2,683,000 from this source, an increase of approximately \$390,000. Table 11 below depicts this forecast.



**TABLE 11: EMERGENCY MEDICAL SERVICE FEES FINANCIAL FORECAST**

<b>Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Emergency Medical Service Fees	\$2,293,000	\$2,385,032	\$2,480,433	\$2,579,651	\$2,682,837

### **Transfer Payments**

The City owns the Water and Sewer utilities. Funds remaining after paying for the operations and capital requirements of the utilities are available for use by the City. The limitation on the availability of these transfer payments is the amount required to invest in the capital plant and equipment needed to provide clean potable water and treat sewage in accordance with standards established by the Federal Government.

The City has recently entered into a consent decree with the Federal Government to decrease its transfers from the Sewer Fund by \$1,500,000 to assure that it will meet federal standards for sewage treatment.

Based on the uncertainties associated with this income stream, the forecast model assumes that these amounts will stabilize at the level approved by City Council for the 2006 budget for Water and at the 2006 level for Sewer, less the additional \$750,000 reduction needed to comply with the consent decree. The baseline 2006 amount of these transfers is \$3,160,000 for water and \$4,500,000 for sewer. The water transfer payment remains at the 2006 level through the year 2010. The sewer transfer payment is reduced to \$3,750,000 in 2007 and \$3,000,000 in 2008 and remains at that level through 2010. Table 12 below depicts this forecast.

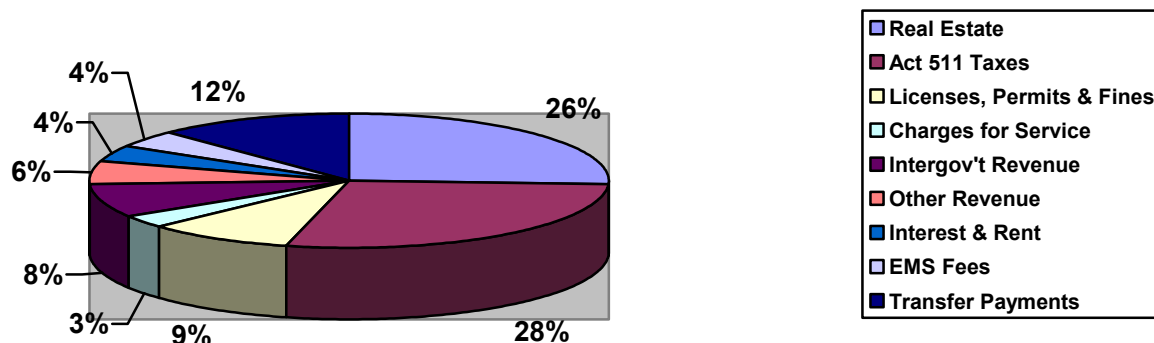
**TABLE 12: TRANSFER PAYMENTS FINANCIAL FORECAST**

<b>Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Water Fund Transfer	\$3,160,000	\$3,160,000	\$3,160,000	\$3,160,000	\$3,160,000
Sewer Fund Transfer	\$4,500,000	\$3,750,000	\$3,000,000	\$3,000,000	\$3,000,000
Total	\$7,660,000	\$6,910,000	\$6,160,000	\$6,160,000	\$6,160,000

### **Bond Sale Rights**

Reading intends to enter into an agreement to sell its bonds with a specific firm. In exchange for that agreement, the firm will pay Reading a fee. That fee is estimated to be \$2,897,215 and will be received only once, in the base year of 2006. The financial forecast model does not anticipate receiving funds from this source after 2006.

**FIGURE 5: 2006-2010 AVERAGE REVENUE FORECAST**



## Expenditure Analysis

The expenditure side of the financial forecast is built using the proposed 2006 Budget as the baseline. Adjustments to the baseline for future years are based on a combination of known cost increases for labor agreements and assumptions on other certain cost elements as explained here.

The financial model forecasts future personnel costs based on the recent agreement reached with fire department personnel. The approved labor agreement with firefighters provides a 4% salary increase in each of 2007 and 2008, a 3.5% increase in 2009 and a 3.25% increase in 2010. The cost of those increases has been included in the financial forecast.

The labor agreement with police personnel expired in 2006 and a new agreement must be negotiated. Since those costs are not known, no estimate has been included for police salary increases beyond the base budget year.

The labor agreement with AFSCME expires after 2007. In 2007, AFSCME employees will receive a 2.65% wage increase. The cost of that increase is included in the model for 2007. The model does not include any estimate for salary increases beyond 2007 for any City employees beyond those in the fire department. However, an analysis of the financial impact of awarding the remaining employees wage increases on the

same basis as the labor agreement with firefighters has been included in a later section of this report.

In addition to the impact of known labor cost increases, the model projects fringe benefits costs for all employees to increase at a rate of 2.5% annually. This is based on a study by the National Coalition on Health Care that pinpoints the inflationary impact on employer sponsored health care cost at that rate.

Other expenses are projected to increase at an average rate of 3.5% annually through 2010. This factor is derived from the Bureau of Labor Statistics data showing that the Consumer Price Index for Pennsylvania has increased at that rate from 2001 through 2005.

Non-departmental accounts have not been increased at all since the primary components in these accounts are fixed costs for items such as debt service.

Based on these assumptions, the 2006 proposed budget of \$60,058,042 rises to \$63,985,525 in 2010 – an increase of \$3,927,483.

## Potential Impact of Other Wage Increases

Although the financial forecast and model does not include a specific amount for wage increases for employees other than firefighters, it would be remiss on our part not to present an estimate of the impact.

Table 13 below shows the cost and financial impact of providing all other City employees wage increases at the same level as agreed to for firefighters. Those increases are: 2007 – 4%; 2008 – 4%; 2009 – 3.5%; 2010 – 3.25%. (Note that AFSCME already has agreed to a wage increase of 2.65% for 2007 that has been included in the projected expense for that year.)

**TABLE 13: IMPACT OF MATCHING WAGE INCREASES FOR ALL CITY EMPLOYEES**

<b>Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Revenue	\$60,379,758	\$57,392,070	\$57,324,984	\$58,032,272	\$58,764,964
Expense	\$60,058,042	\$61,174,036	\$62,120,669	\$63,050,951	\$63,985,525
Surplus/(Deficit)	\$321,716	(\$3,781,966)	(\$4,795,685)	(\$5,018,679)	(\$5,220,561)
Police Adjustment	0	\$447,246	\$465,136	\$423,274	407,446
AFSCME Adjustment	0	0	\$277,239	\$252,288	\$242,467
Cumulative S/D	(\$6,740,983)	(\$10,970,195)	(\$16,508,255)	(\$22,202,496)	(\$28,072,970)

As indicated in Table 13, if all city employees were to receive the same wage adjustment already awarded to firefighters, the cumulative deficit by

the end of year 2010 would be nearly \$28.1 million, or about \$2.5 million higher than the base case projected in the financial forecast. Prudence at the negotiating table is critical to the City's long-term financial health.

## **COUNTERMEASURES**

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Reading's revenue sources are quite diverse, and while diversity can very often lead to stability, the reality for the City of Reading is that it also means that no single change in tax rates, fees and charges can significantly impact and correct the financial condition the City finds itself in today.

### **Tax Increases**

Property taxes must be increased to the maximum allowable limit in each of the ensuing years of this forecast. That act alone will reduce the cumulative deficit to \$22.3 million.

### **Fee Increases**

The City must aggressively examine its fee structure and ensure that fee based services are fully covering their expenses including an appropriate transfer to the City's General Fund.

### **Economic Development**

Obviously, long term the City needs to expand its economic base. The Earned Income Tax is Reading's second single largest source of revenue. Earned Income Tax payments are based on the jurisdiction in which a person lives. Thus, persons living in Reading but working elsewhere remit Earned Income Tax Payments to the City. This suggests that a key strategic initiative is to take steps to enhance the conditions that will make it attractive to people of higher income to reside in Reading. Such strategies would have the added impact of also increasing the assessed value and thus the income from property tax.

The optimal type of economic development would be construction of high-density luxury condominiums. Such developments, aimed at empty nesters (not retirees), would generate significant earned income tax receipts without creating significant demand for new services, such as schools and recreation facilities.

A review of the City's zoning code was not included in the scope of this project. However, during the course of the project senior managers observed that the zoning code has not been updated for over a decade. Many new practices have evolved during that time that assist urban core

areas in making adaptive reuse and redevelopment of blighted areas easier to accomplish. The City should carryout a comprehensive examination of its zoning and land use codes and regulations to adopt those practices that will make new development and redevelopment more user friendly.

Opportunities for creating high-density top-of-the-line housing for empty nesters will certainly have some market limits in terms of volume. Other new high-end housing stock programs should be developed to encourage upper income residents to locate in Reading. There have been some indications that there is a growing market attraction for persons working in New York City or Philadelphia to relocate to Berks County because of reasonable housing cost.

City officials should work with County officials to do a market analysis to develop a strategy for attracting such workers to live in Reading. Long-term strategies such as creating high-speed transportation links or corridors to employment centers may be helpful to attracting upper income residents to Reading and Berks County.

After developing the market strategy, local government jurisdictions should work together to develop policies and approaches that will harmonize and balance future development in a “smart growth” environment. For example, Reading already has well developed infrastructure, roads and utilities, to support development. However, most developers prefer building on virgin sites, meaning that Reading usually needs to provide incentives to attract developers. The County and Reading’s neighboring jurisdictions should cooperate in developing tools that would provide development that is more balanced in terms of location. One such tool is transferable development rights. For example, a developer wishing to building a new residential subdivision in a township outside of Reading might be given a density bonus by agreeing to also develop new homes for ownership inside Reading. Using tools such as transferable development rights and density bonuses, gives the region better leverage in working with developers to create more desirable development that is balanced and takes advantage of the infrastructure that is already in place.

For its part, in addition to updating its zoning and land use codes, Reading should also look at what it takes to make development within the city attractive and easy to accomplish. For Reading, as with other urban core areas, this is likely to mean acquisition and clearance of large tracts of land within the city. Large tracts of development ready land are basic assets to making the City more competitive in attracting development consistent with a strategic marketing plan. The City should develop and use financing techniques such as tax increment financing and revenue bonding to create the financial capacity for attracting new development to the City.

The City might also consider being its own developer. One model that could be adapted to Reading is the Betts-Longworth neighborhood in

Cincinnati. In that neighborhood, the City acted as developer in aggregating land, constructing sixty new homes for ownership next to the largest concentration of housing in the City. The project was financed with housing revenue bonds, all sixty units were sold within ten days of being offered, and the housing bonds were totally defeased within three years. The project, completed in 1993, served as a cornerstone to revitalizing the neighborhood. Since that time, the home-builders association has sponsored two home-a-rama projects in the neighborhood that sold an additional thirty new ownership units. And, over 150 existing units abutting the project site have been totally rehabilitated. The capstone has been that the Cincinnati Metropolitan Housing Authority has totally renovated its public housing units, reducing the density by nearly 40% and converting half of the remaining units from rental to affordable homeownership. The Betts-Longworth project received the prestigious Rudy Brunner Award for successful inner city redevelopment in 1994. Projects such as Betts-Longworth can provide a roadmap for Reading in positioning itself for economic redevelopment.

Clearly, the specifics cited above will require leadership and a determination to forge working relationships with County and other local government officials.

## **Expenditure Control**

The City must demonstrate restraint in taking on additional expenditures. While retaining quality employees is a critical goal for a service industry, there must be recognition that the City cannot afford aggressive increases in labor costs.

The City needs to undertake a new strategy regarding labor cost. That strategy should be similar to those used by industries, such as the airlines and health-care professions, that are undergoing significant restructuring. Labor cost increases must have some relationship to ability to pay, not just labor market conditions.

One approach could be to pay employees a bonus at the end of the year in lieu of a permanent wage adjustment. The bonus would be based on the difference between the projected financial condition made at the beginning of the year and the actual financial condition at the end of the year. A negotiated portion of any end of year surplus would be allocated for bonus payments, but not made as a permanent adjustment to salary scales. Other elements, such as providing permanent salary adjustments to employee classes for productivity improvements that reduce cost should also be considered.

In other words, if parking enforcement staff develops a plan that improves collections or reduces cost, the parking enforcement staff would receive a portion of the difference as adjustments to wages. The City could consider such issues as job security in exchange for wage restraint.

The City should seek efficiencies in all operations. Under the EIP, Management Partners has been retained to examine the Finance Department and Police Department operations. A similar examination of all City functions should be commissioned, with a goal to reduce expenditures through efficiencies and appropriate service level reductions.

## **Reassessment**

While the City of Reading has not aggressively taken advantage of increasing taxes by raising rates within its control, it is also true that property in the City has not been reassessed in more than 20 years. A reassessment can only be called for by the Commissioners of the County of Berks. While such an action frequently creates turmoil in a community, it is appropriate for reassessments to happen on a regular basis so as not to mitigate the implication of not reassessing for a number of years. The best practice is to regularly reassess on a three- to five-year cycle. Predictable reassessments also minimize the political implications of this unpopular activity.

## **Service Transfers**

The City owns and maintains some parks that are regional in nature, rather than neighborhood-oriented. The City should work with Berks County to determine the efficacy of conveying its regional parks to Berks County, retaining a right of reversion of ownership of the parks if a change in use is contemplated in the future. Transfer of ownership would relieve the City of the cost burden of maintaining these regional parks.

The City also shares the cost of library service within Reading with Berks County. For 2006, the Library budget is \$1,428,898, of which the City pays \$394,851 and the County pays \$1,034,047. If the City and County were able to agree on the transfer of all library service to the County budget, Reading would save approximately \$2,000,000 over the next five years.

## **Asset Sales**

A detailed analysis of the benefits arising from asset sales should be conducted. The City owns the Water and Sewer utilities and several parking venues that have value for private investors. The City has transferred significant sums from each of these enterprise funds in recent years. In 2006, the plan is to transfer \$3,160,000 from the Water Fund, \$4,500,000 from the Sewer Fund, and nearly \$500,000 from parking funds.

The City should engage the services of an investment banker to determine the capitalized value of these assets. Once the market values



are determined, the City would be positioned to do a cost benefit analysis of the various scenarios regarding ownership of these assets.

Alternative scenarios include outright sale to an investor owned utility, partial sale with the City retaining majority ownership but contracting management to the minority owner, or the status quo. Capitalized values should be compared to the history of annual transfers from these sources to determine if there is a net benefit to the current situation.

## **Cost Transfers**

The City currently pays the cost of storm water management from the General Fund revenue sources. Many cities have created storm water utility funds and have transferred this cost from general tax revenues to revenue realized from assessments based on the calculated benefit received.

The primary difference between assessments and property taxes as applied to storm water is that property taxes are related to market value of the property, which may or may not have a relationship to storm water loading. Most storm water assessments are based on runoff generated by the property as opposed to market value.

Cities that have employed this method of funding storm water management have found that creating an enterprise fund for this purpose generates a more predictable and programmable revenue stream to assure that storm water needs are taken care of.

In Reading's case, gravitating to a storm water utility would remove the expense of this service out from the general fund property tax revenue cap.

## **CONCLUSION**

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The revenue base for the City of Reading is diversified, but it lacks strength in revenue sources that are growing. The real estate tax, earned income tax, per capita tax, occupational tax, and business privilege tax together make up approximately 50% of the revenue base. None of these sources has shown much growth over the last five years except when rate increases were enacted. There is nothing to demonstrate that these sources will start to grow in the next five years.

The largest source of general fund revenue growth in the last five years has been generated from other City funds. Transfers from the Water and Sewer funds grew annually at nearly 8%. The City also substantially increased its general fund by increasing indirect cost reimbursements from other funds, such as the water and sewer funds, the Community Development Fund, and other enterprise funds. These reimbursements grew at a 17% annual rate between 2000 and 2004.

Together, transfer payments and reimbursements account for nearly 25% of general fund revenues. However, a consent decree with the Federal Government reduces the transfer payment from the sewer fund by \$750,000 a year through 2007, meaning that the historic transfer level from the sewer fund is being reduced a total of \$1,500,000.

The remaining sources of revenue include a wide variety of fees, permits, charges, contracts and miscellaneous revenue sources. These revenue sources have shown small and generally steady increases and are projected to continue with those increases. The one large source in this group of revenues is the State's contribution to pension payments, which currently totals more than \$3 million. However, this source is susceptible to legislative action that is beyond the control of the City.

The Real Estate Transfer Tax has demonstrated significant growth in the past several years and this forecast indicates a continued growth rate. However, much of the growth in revenue is attributable to significant increases in rates rather than growth in volume. The forecast has assumed a 5% growth rate and this may be the most optimistic projection in the model.

On the expense side, a labor agreement with firefighters has already been finalized. Providing wage adjustments for all city employees at the

same rate as awarded to firefighters would cost approximately \$2.5 million additional through the year 2010.

It is critical for the City to aggressively pursue appropriate counter-measures to ward off Act 47 proceedings.

## ATTACHMENT A – CITY OF READING GENERAL FUND FINANCIAL FORECAST

	2006 Budget	2007	2008	2009	2010
<b>TOTAL REVENUE SOURCES</b>	\$60,379,758	\$57,392,070	\$57,324,984	\$58,032,272	\$58,764,964
<b>TOTAL EXPENDITURES</b>	\$60,058,042	\$61,174,036	\$62,120,669	\$63,050,951	\$63,985,525
<b>ANNUAL SURPLUS/(DEFICIT)</b>	\$321,716	(\$3,781,966)	(\$4,795,685)	(\$5,018,679)	(\$5,220,560)
<b>BEGINNING SURPLUS/(DEFICIT)</b>	(\$7,062,699)	(\$6,740,983)	(\$10,522,949)	(\$15,318,634)	(\$20,337,313)
<b>CUMULATIVE SURPLUS/(DEFICIT)</b>	(\$6,740,983)	(\$10,522,949)	(\$15,318,634)	(\$20,337,313)	(\$25,557,873)

GENERAL FUND REVENUE PROJECTION					
REVENUE SOURCE	2006 Budget	2007	2008	2009	2010
Real Estate Taxes	\$15,029,598	\$15,029,598	\$15,029,598	\$15,029,598	\$15,029,598
Earned Income Tax	\$7,852,326	\$7,930,849	\$8,010,158	\$8,090,259	\$8,171,162
Real Estate Transfer Tax	\$4,760,000	\$4,998,000	\$5,247,900	\$5,510,295	\$5,785,810
Other Act 511 Taxes	\$3,040,000	\$3,062,800	\$3,085,771	\$3,108,914	\$3,132,231
Licenses, Permits, Fines	\$5,186,283	\$5,274,450	\$5,364,115	\$5,455,305	\$5,548,046
Charges for Service	\$1,708,127	\$1,761,200	\$1,816,874	\$1,875,276	\$1,936,539
Intergovernmental Revenue	\$4,691,813	\$4,687,121	\$4,682,434	\$4,677,752	\$4,673,074
Other Revenue	\$3,064,097	\$3,156,020	\$3,250,701	\$3,348,222	\$3,448,668
Interest and Rent	\$2,197,000	\$2,197,000	\$2,197,000	\$2,197,000	\$2,197,000
Emergency Medical Services	\$2,293,300	\$2,385,032	\$2,480,433	\$2,579,651	\$2,682,837
Water Fund Transfer	\$3,160,000	\$3,160,000	\$3,160,000	\$3,160,000	\$3,160,000
Sewer Fund Transfer	\$4,500,000	\$3,750,000	\$3,000,000	\$3,000,000	\$3,000,000
Bond Sale Rights	\$2,897,214	\$0	\$0	\$0	\$0
<b>Total Revenue Sources</b>	\$60,379,758	\$57,392,070	\$57,324,984	\$58,032,272	\$58,764,964

GENERAL FUND EXPENDITURE PROJECTION					
	2006 Budget	2007	2008	2009	2010
<b>Office of the Mayor</b>					
<i>Personnel Services</i>					
Salaries	\$150,290	\$150,290	\$150,290	\$150,290	\$150,290
Fringe Benefits	\$58,967	\$60,441	\$61,952	\$63,501	\$65,089
<b>Total</b>	\$209,257	\$210,731	\$212,242	\$213,791	\$215,379
<i>Other Expenses</i>	\$31,600	\$32,706	\$33,851	\$35,035	\$36,262
<b>Total Department</b>	\$240,857	\$243,437	\$246,093	\$248,826	\$251,640
<b>City Council</b>					
<i>Personnel Services</i>					
Salaries	\$189,274	\$189,274	\$189,274	\$189,274	\$189,274
Fringe Benefits	\$60,840	\$62,361	\$63,920	\$65,518	\$67,156
<b>Total</b>	\$250,114	\$251,635	\$253,194	\$254,792	\$256,430
<i>Other Expenses</i>	\$69,000	\$71,415	\$73,915	\$76,502	\$79,179

GENERAL FUND EXPENDITURE PROJECTION					
	2006 Budget	2007	2008	2009	2010
<b>Total Department</b>	\$319,114	\$323,050	\$327,109	\$331,294	\$335,609
<b>City Auditor</b>					
<i>Personnel Services</i>					
Salaries	\$90,740	\$90,740	\$90,740	\$90,740	\$90,740
Fringe Benefits	\$38,685	\$39,652	\$40,643	\$41,660	\$42,701
Total	\$129,425	\$130,392	\$131,383	\$132,400	\$133,441
<i>Other Expenses</i>	\$2,000	\$2,070	\$2,142	\$2,217	\$2,295
<b>Total Department</b>	\$131,425	\$132,462	\$133,526	\$134,617	\$135,736
<b>Managing Director</b>					
<i>Personnel Services</i>					
Salaries	\$1,422,013	\$1,459,696	\$1,459,696	\$1,459,696	\$1,459,696
Fringe Benefits	\$638,813	\$654,783	\$671,153	\$687,932	\$705,130
Total	\$2,060,826	\$2,114,480	\$2,130,849	\$2,147,628	\$2,164,826
<i>Other Expenses</i>	\$67,150	\$69,500	\$71,933	\$74,450	\$77,056
<b>Total Department</b>	\$2,127,976	\$2,183,980	\$2,202,782	\$2,222,078	\$2,241,883
<b>Information Technology</b>					
<i>Personnel Services</i>					
Salaries	\$383,207	\$393,362	\$393,362	\$393,362	\$393,362
Fringe Benefits	\$172,159	\$176,463	\$180,875	\$185,396	\$190,031
Total	\$555,366	\$569,825	\$574,237	\$578,758	\$583,393
<i>Other Expenses</i>	\$746,050	\$772,162	\$799,187	\$827,159	\$856,110
<b>Total Division</b>	\$1,301,416	\$1,341,987	\$1,373,424	\$1,405,917	\$1,439,503
<b>Finance</b>					
<i>Personnel Services</i>					
Salaries	\$1,099,782	\$1,128,926	\$1,128,926	\$1,128,926	\$1,128,926
Fringe Benefits	\$562,908	\$576,981	\$591,405	\$606,190	\$621,345
Total	\$1,662,690	\$1,705,907	\$1,720,331	\$1,735,117	\$1,750,271
<i>Other Expenses</i>	\$618,222	\$639,860	\$662,255	\$685,434	\$709,424
<b>Total Department</b>	\$2,280,912	\$2,345,767	\$2,382,586	\$2,420,550	\$2,459,695
<b>Public Works</b>					
<i>Personnel Services</i>					
Salaries	\$3,112,129	\$3,194,600	\$3,194,600	\$3,194,600	\$3,194,600
Fringe Benefits	\$1,266,438	\$1,298,099	\$1,330,551	\$1,363,815	\$1,397,911
Total	\$4,378,567	\$4,492,699	\$4,525,152	\$4,558,416	\$4,592,511
<i>Other Expenses</i>	\$2,894,677	\$2,995,991	\$3,100,850	\$3,209,380	\$3,321,708
<b>Total Department</b>	\$7,273,244	\$7,488,690	\$7,626,002	\$7,767,796	\$7,914,219

GENERAL FUND EXPENDITURE PROJECTION					
	2006 Budget	2007	2008	2009	2010
<b>Police</b>					
<i>Personnel Services</i>					
Salaries	\$15,953,355	\$15,953,355	\$15,953,355	\$15,953,355	\$15,953,355
Fringe Benefits	\$6,507,695	\$6,670,387	\$6,837,147	\$7,008,076	\$7,183,278
Total	\$22,461,050	\$22,623,742	\$22,790,502	\$22,961,431	\$23,136,633
<i>Other Expenses</i>	\$842,446	\$871,932	\$902,449	\$934,035	\$966,726
<b>Total Department</b>	\$23,303,496	\$23,495,674	\$23,692,951	\$23,895,466	\$24,103,359
<b>Fire</b>					
<i>Personnel Services</i>					
Salaries	\$8,868,725	\$9,223,474	\$9,592,413	\$9,928,147	\$10,250,812
Fringe Benefits	\$3,105,776	\$3,183,420	\$3,263,006	\$3,344,581	\$3,428,196
Total	\$11,974,501	\$12,406,894	\$12,855,419	\$13,272,728	\$13,679,008
<i>Other Expenses</i>	\$914,469	\$946,475	\$979,602	\$1,013,888	\$1,049,374
<b>Total Department</b>	\$12,888,970	\$13,353,370	\$13,835,021	\$14,286,617	\$14,728,382
<b>Community Development</b>					
<i>Personnel Services</i>					
Salaries	\$308,682	\$316,862	\$316,862	\$316,862	\$316,862
Fringe Benefits	\$116,558	\$119,472	\$122,459	\$125,520	\$128,658
Total	\$425,240	\$436,334	\$439,321	\$442,382	\$445,520
<i>Other Expenses</i>	\$41,116	\$42,555	\$44,044	\$45,586	\$47,182
<b>Total Department</b>	\$466,356	\$478,889	\$483,365	\$487,968	\$492,702
<b>Human Resources</b>					
<i>Personnel Services</i>					
Salaries	\$160,487	\$164,740	\$164,740	\$164,740	\$164,740
Fringe Benefits	\$75,763	\$77,657	\$79,599	\$81,588	\$83,628
Total	\$236,250	\$242,397	\$244,338	\$246,328	\$248,368
<i>Other Expenses</i>	\$76,500	\$79,178	\$81,949	\$84,817	\$87,786
<b>Total Department</b>	\$312,750	\$321,574	\$326,287	\$331,145	\$336,154
<b>Law</b>					
<i>Personnel Services</i>					
Salaries	\$202,435	\$207,800	\$207,800	\$207,800	\$207,800
Fringe Benefits	\$78,560	\$80,524	\$82,537	\$84,601	\$86,716
Total	\$280,995	\$288,324	\$290,337	\$292,400	\$294,515
<i>Other Expenses</i>	\$229,250	\$237,274	\$245,578	\$254,174	\$263,070
<b>Total Department</b>	\$510,245	\$525,597	\$535,915	\$546,574	\$557,585

GENERAL FUND EXPENDITURE PROJECTION					
	2006 Budget	2007	2008	2009	2010
<b>Library</b>					
<i>Personnel Services</i>					
Salaries	\$855,279	\$877,944	\$877,944	\$877,944	\$877,944
Fringe Benefits	\$446,345	\$457,504	\$468,941	\$480,665	\$492,681
Total	\$1,301,624	\$1,335,448	\$1,346,885	\$1,358,609	\$1,370,625
<i>Other Expenses</i>	\$127,274	\$131,729	\$136,339	\$141,111	\$146,050
<b>Total Department</b>	<b>\$1,428,898</b>	<b>\$1,467,176</b>	<b>\$1,483,224</b>	<b>\$1,499,720</b>	<b>\$1,516,675</b>
<b>Non-Departmental</b>					
<i>Personnel Services</i>					
Salaries	\$0	\$0	\$0	\$0	\$0
Fringe Benefits	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0	\$0
<i>Other Expenses</i>	\$7,459,383	\$7,459,383	\$7,459,383	\$7,459,383	\$7,459,383
<b>Total Department</b>	<b>\$7,459,383</b>	<b>\$7,459,383</b>	<b>\$7,459,383</b>	<b>\$7,459,383</b>	<b>\$7,459,383</b>
<b>Board of Ethics &amp; HRC</b>					
<i>Personnel Services</i>					
Salaries	\$0	\$0	\$0	\$0	\$0
Fringe Benefits	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0	\$0
<i>Other Expenses</i>	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000
<b>Total Department</b>	<b>\$13,000</b>	<b>\$13,000</b>	<b>\$13,000</b>	<b>\$13,000</b>	<b>\$13,000</b>
<b>Aggregate</b>					
<i>Personnel Services</i>					
Salaries	\$32,796,398	\$33,351,063	\$33,720,002	\$34,055,737	\$34,378,402
Fringe Benefits	\$13,129,507	\$13,457,745	\$13,794,188	\$14,139,043	\$14,492,519
Total	\$45,925,905	\$46,808,808	\$47,514,191	\$48,194,780	\$48,870,921
<i>Other Expenses</i>	\$14,132,137	\$14,365,228	\$14,606,478	\$14,856,171	\$15,114,604
<b>TOTAL GENERAL FUND</b>	<b>\$60,058,042</b>	<b>\$61,174,036</b>	<b>\$62,120,669</b>	<b>\$63,050,951</b>	<b>\$63,985,525</b>

## ATTACHMENT B – COMPARISON OF REVENUE SOURCES TO INFLATION

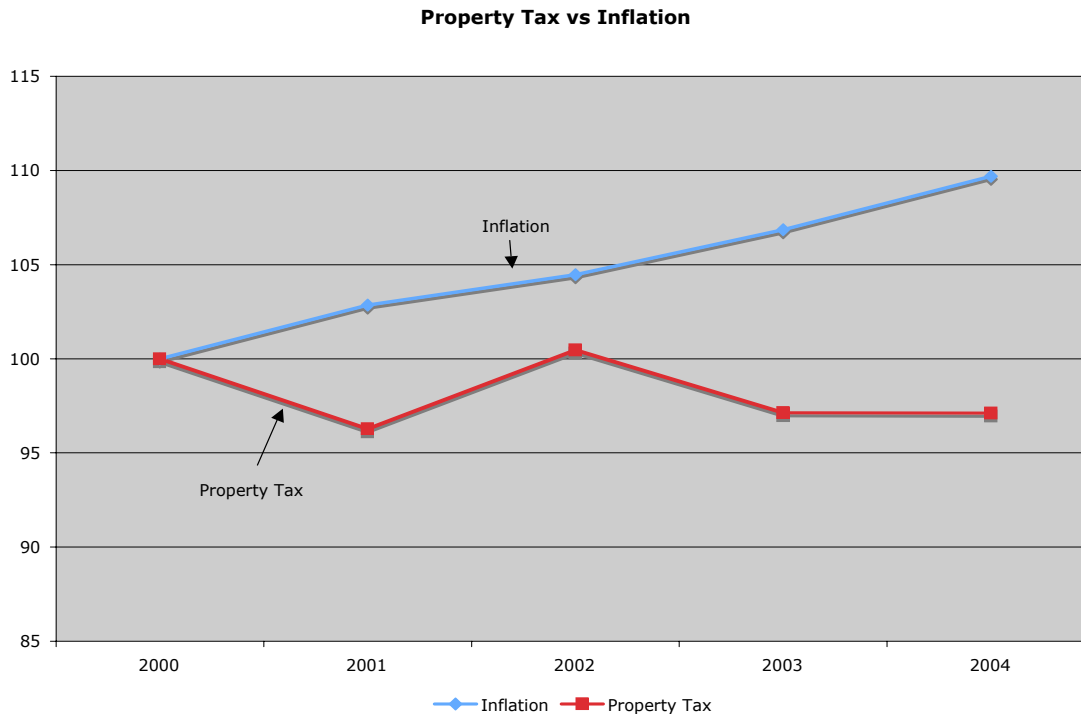
The graphs included in this section compare the growth of revenue categories to the growth of inflation. In general terms, an entity would hope that revenues grow as fast as inflation to continue the same level of service.

The time period covered for most of the revenue sources is 2000-2004, the latest period for which information is available.

The graphs themselves depict a growth rate. The inflation rate never changes (occasionally it will appear slightly different because a different vertical scale was used.) The individual revenue source then compares to the inflation growth. The actual revenue collections for 2004 as reported by the City are included below each graph to provide a sense of the relative size of the revenue source.

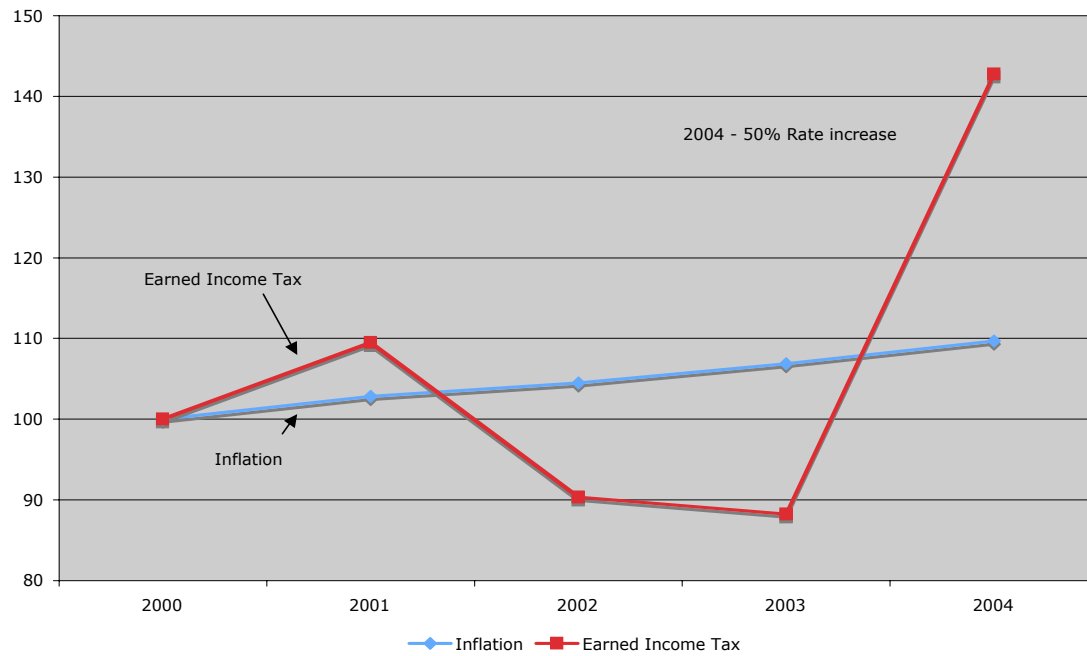
Some of the revenues are included more than once since there are combined categories of revenues. This is done to provide different views of the revenue generating power of the City's revenue sources.

This type of analysis is useful because it provides a visual analysis of the capability of the entity's revenue sources to provide growth.



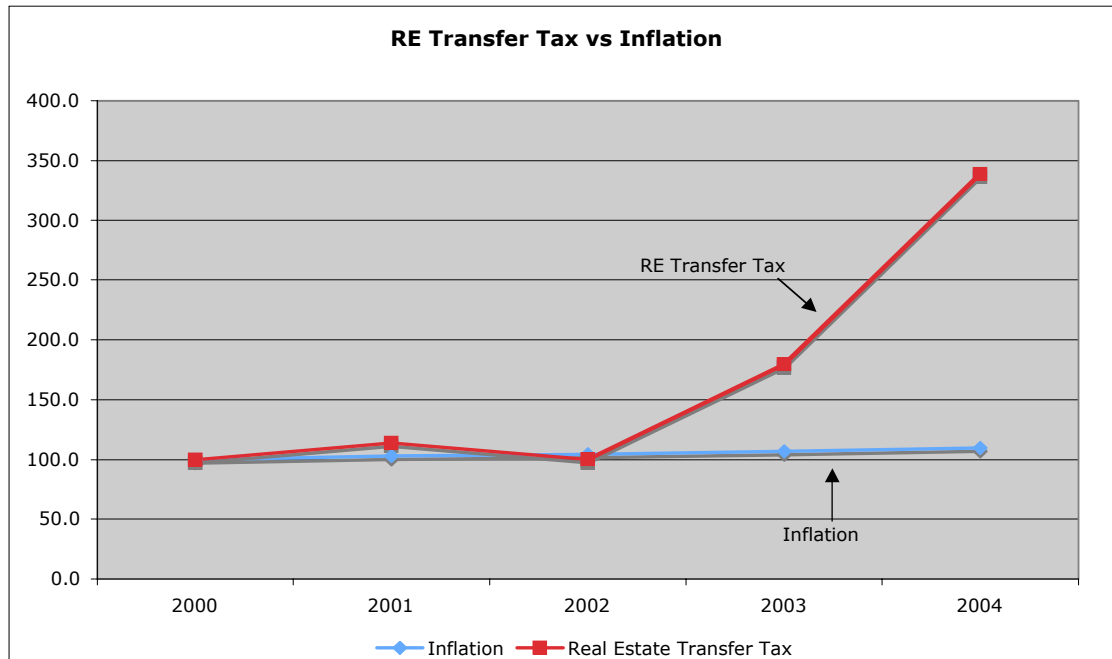


### Earned Income Tax vs Inflation



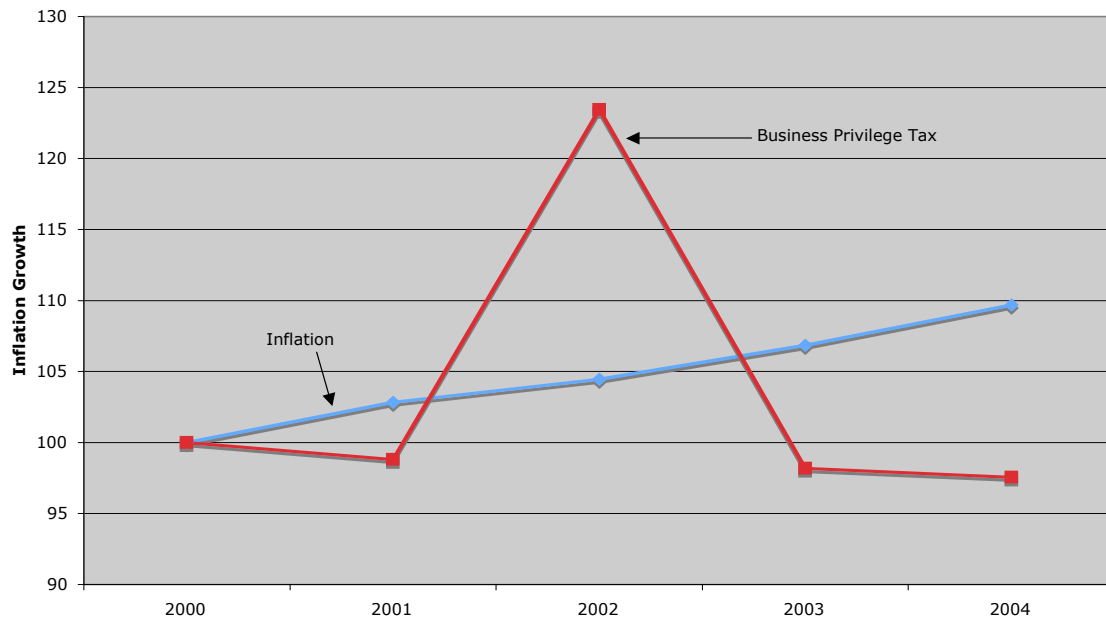
2004 Earned Income Tax Collections = \$5.5 million

### RE Transfer Tax vs Inflation



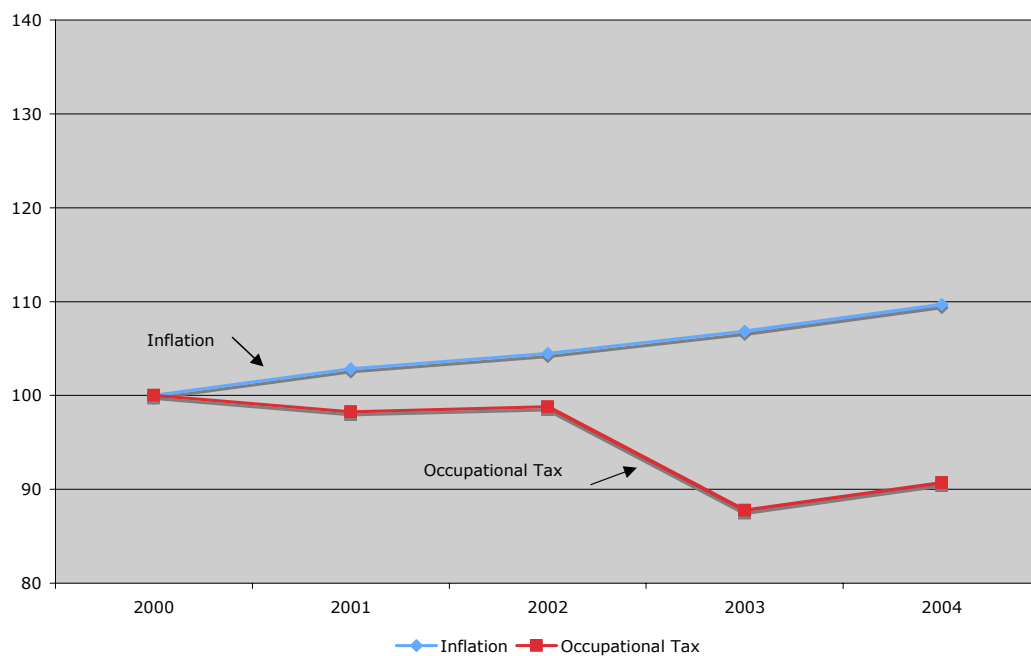
2004 Real Estate Transfer Tax = \$2.7 million

**Revenues vs Inflation  
Business Privilege Tax**



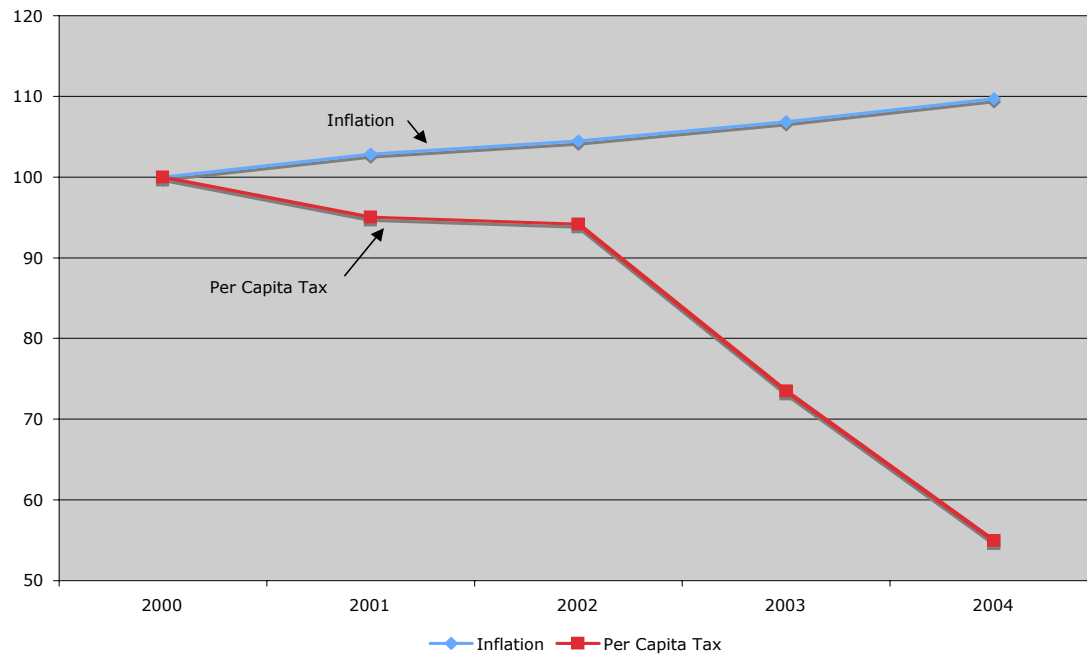
2004 Business Privilege Tax Collections = \$1.35 million

**Inflation vs Occupational Tax**



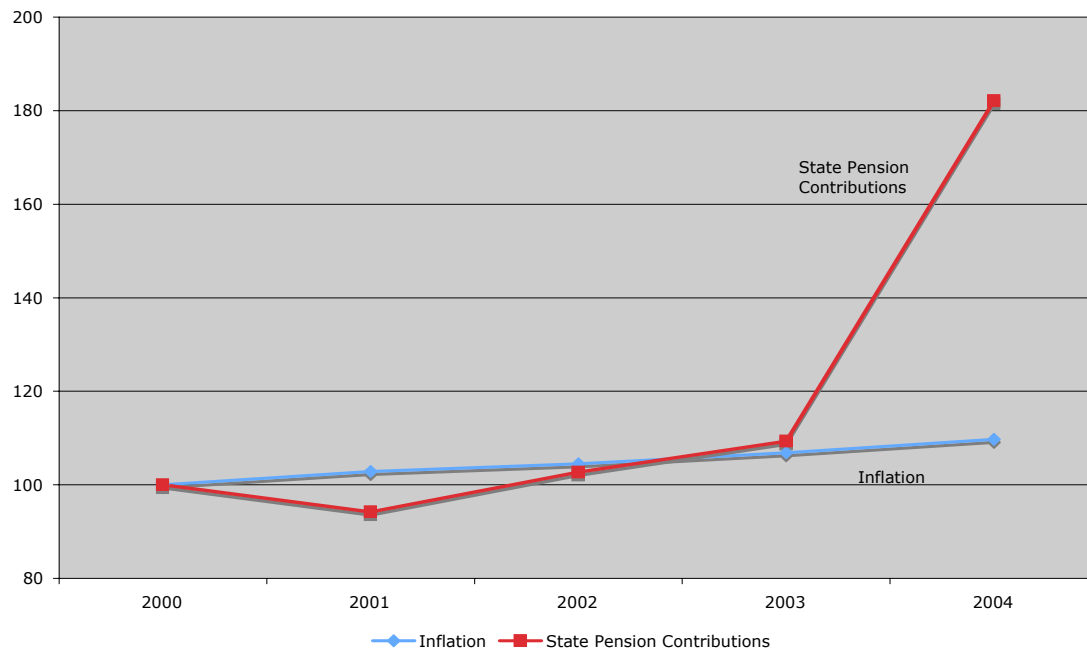
2004 Occupational Tax Collections = \$0.2 million

**Inflation vs Per Capita Tax**



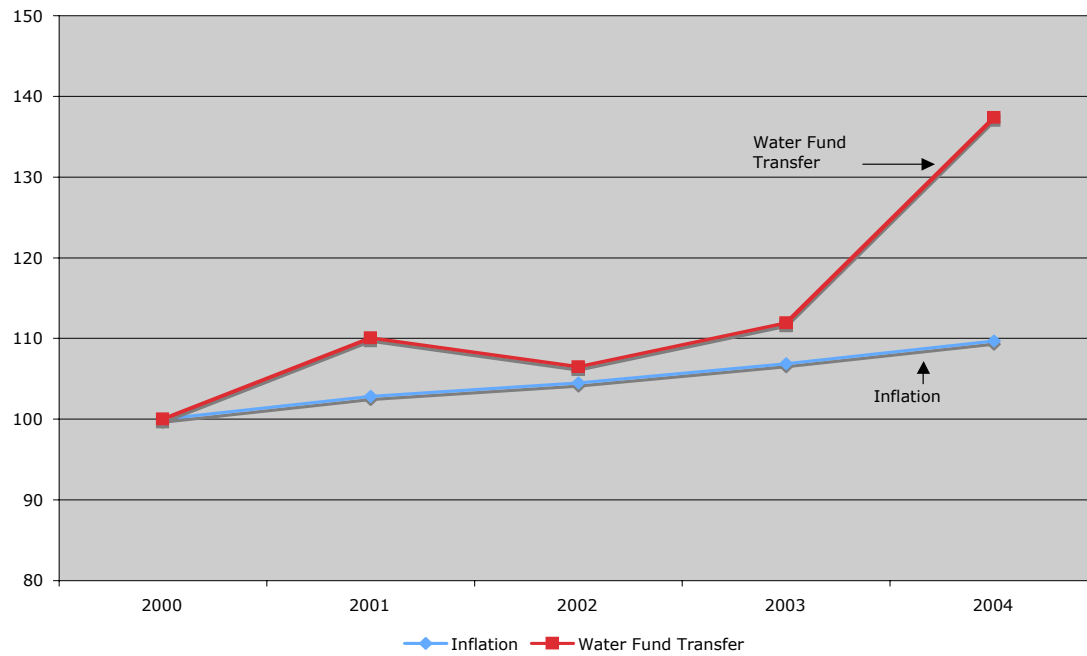
2004 Per Capita Tax Collections = \$0.1 million

**State Pension Contributions vs Inflation**



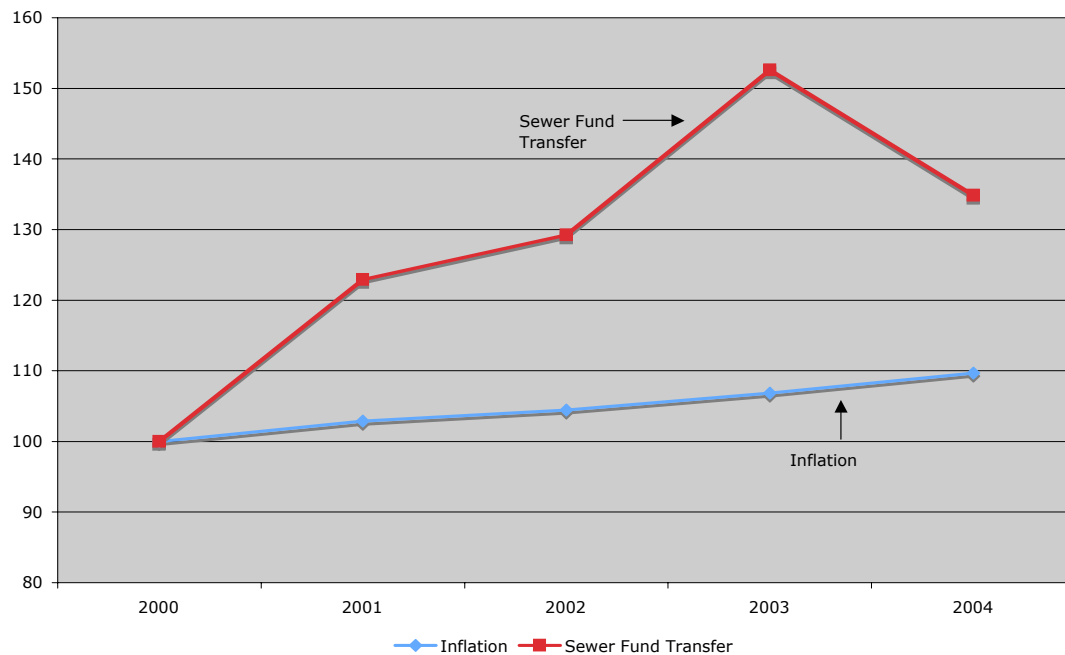
2004 State Pension Contributions = \$3.1 million

### Water Fund Transfer vs Inflation



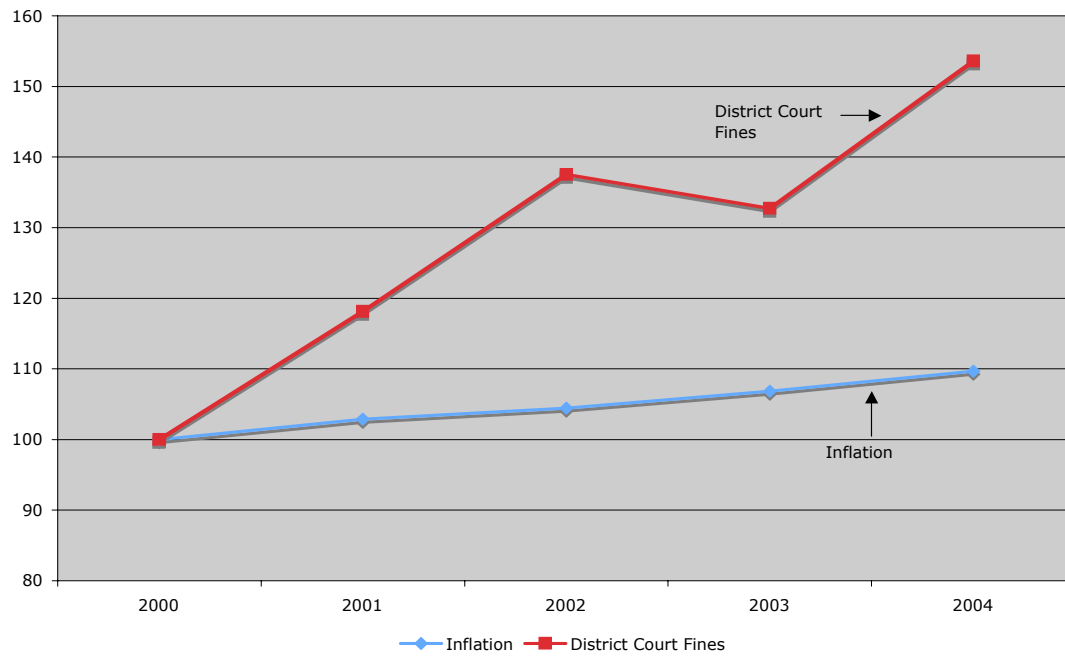
2004 Water Fund Transfer = \$3.3 million

### Sewer Fund Transfer vs Inflation

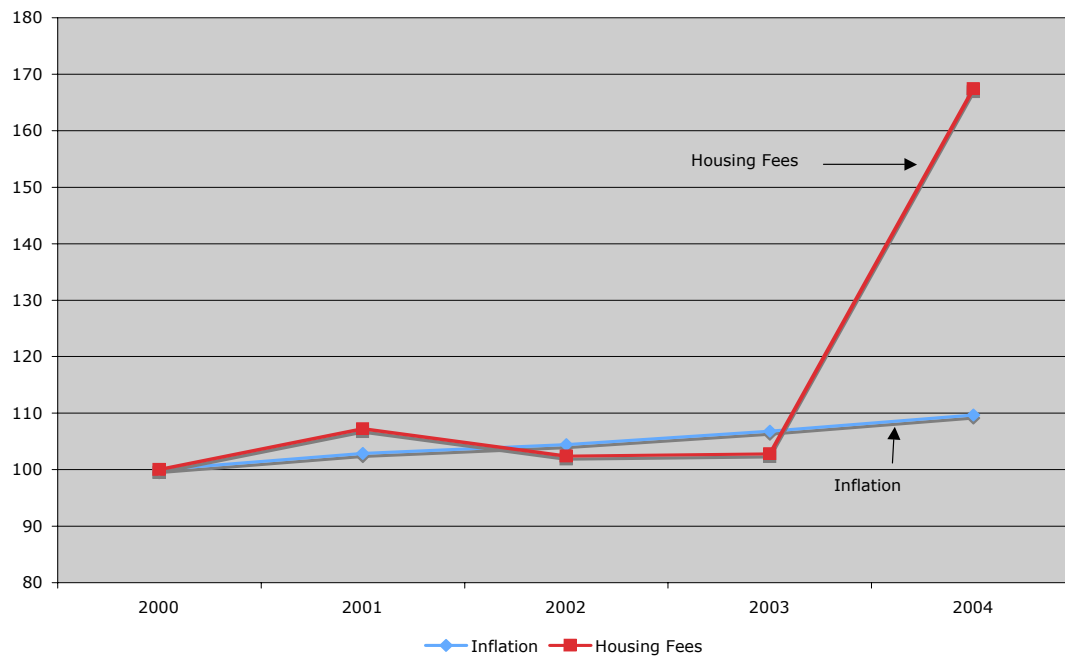


2004 Sewer Fund Transfer = \$6.0 million

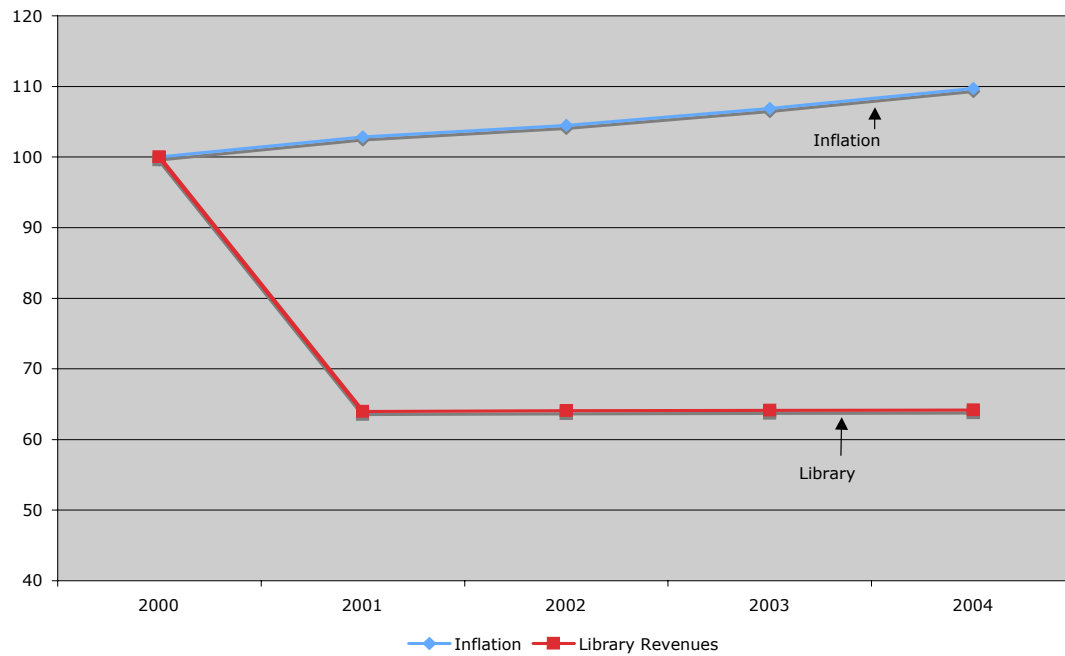
**District Court Fines vs Inflation**



**Housing Fees vs Inflation**

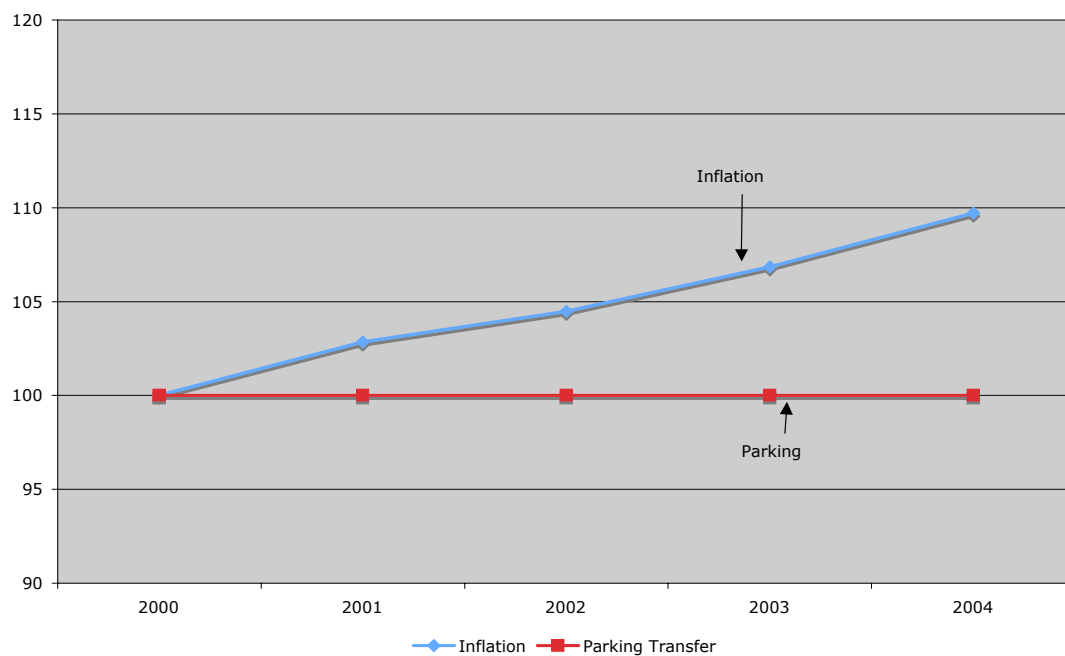


### Library Revenues vs Inflation



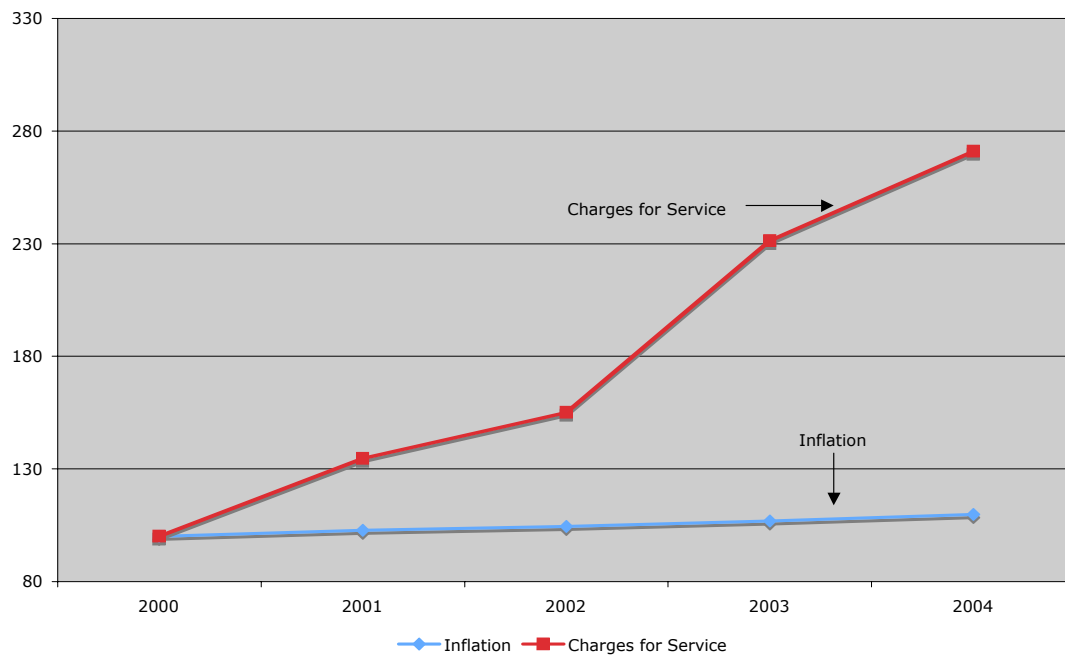
2004 County Library Payment = \$0.9 million

### Parking Revs vs Inflation



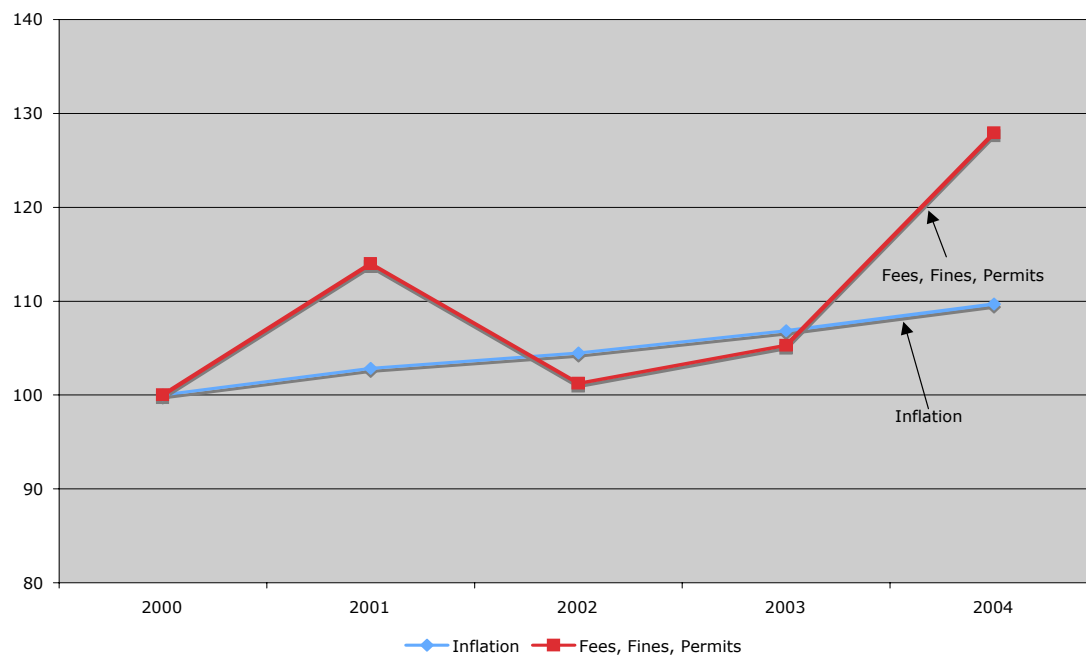
2004 Parking Transfer = \$0.4 million

### Charges for Service vs Inflation



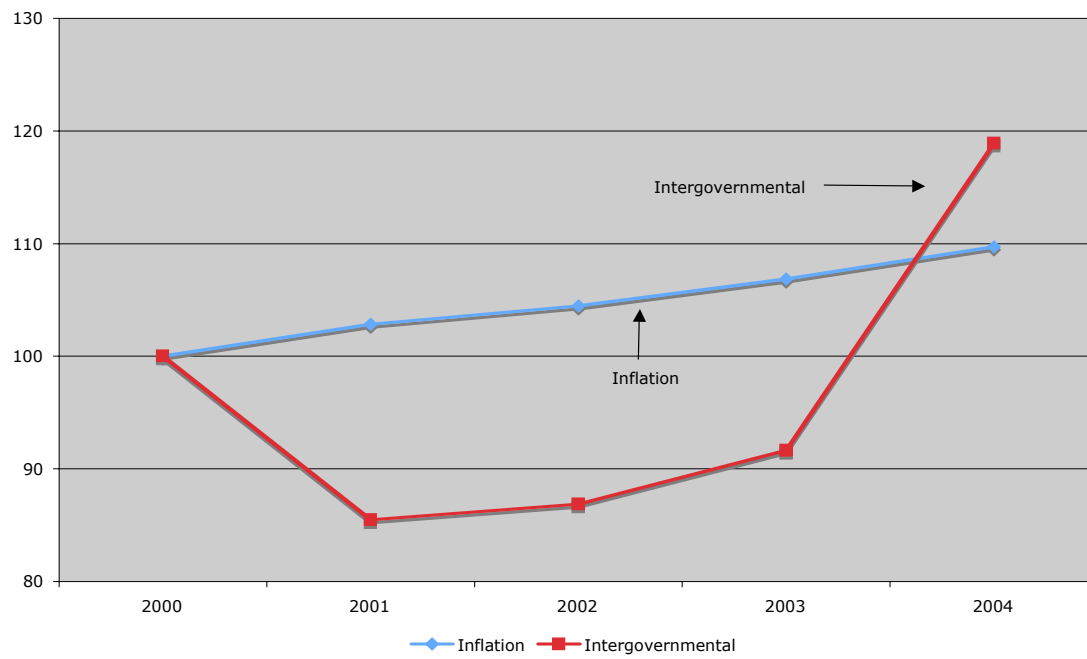
2004 Charges for Services = \$2.2 million

### Fees, Fines, Permits vs Inflation



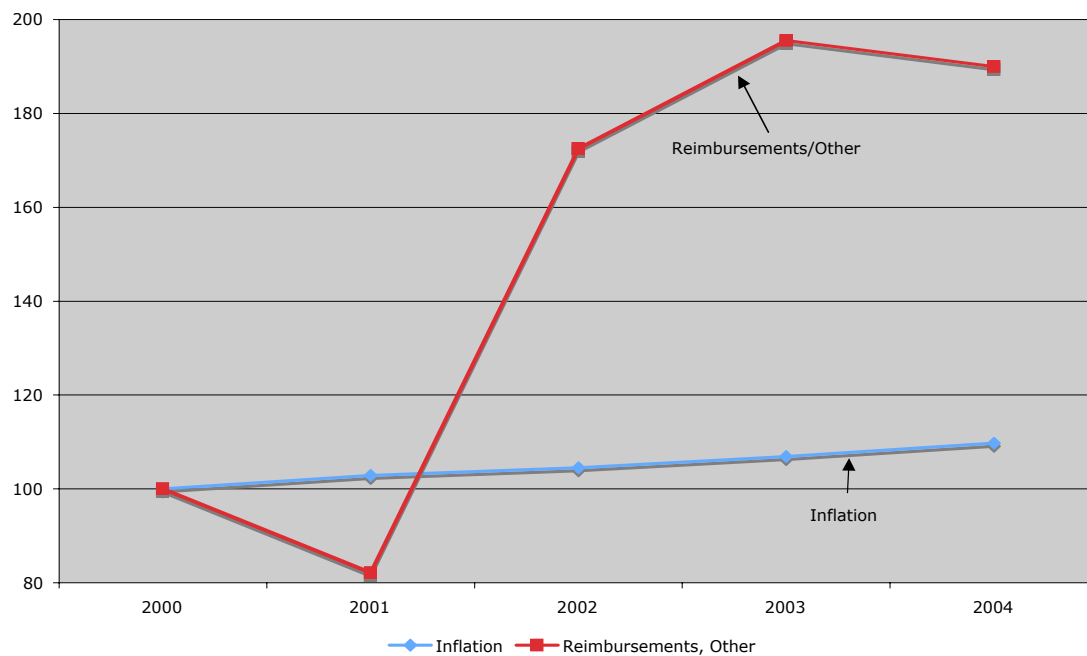
2004 Fees, Fines, Permits = \$3.9 million

### Intergovernmental vs Inflation



2004 Intergovernmental Revenues = \$4.6 million

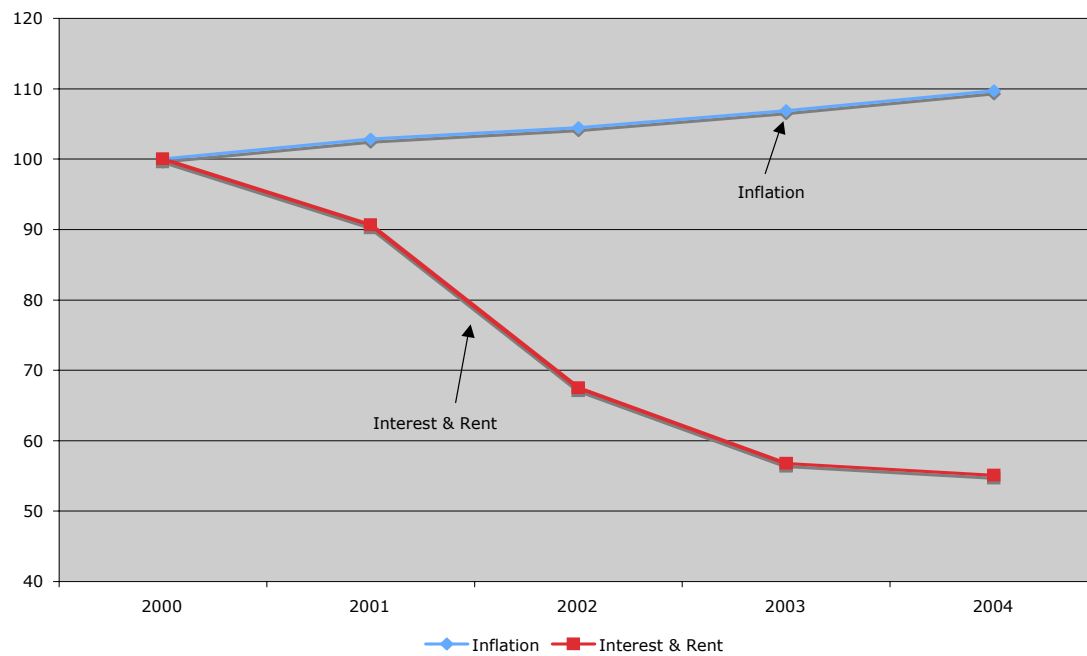
### Other/Reimbursements vs Inflation



2004 Reimbursements/Other= \$3.0 million

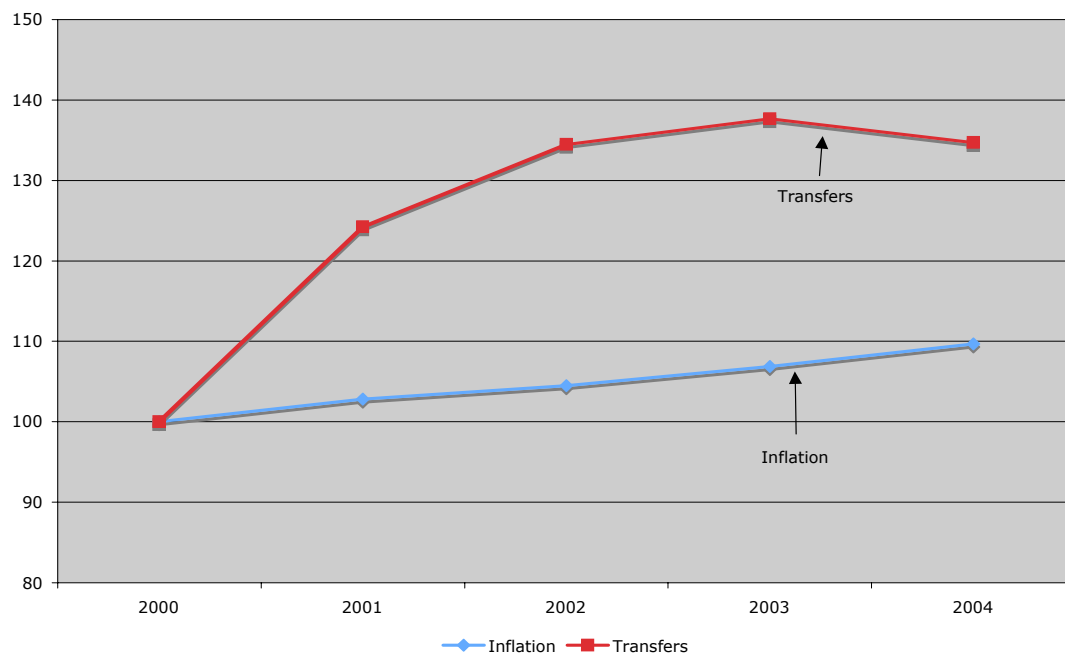


### Interest/Rent vs Inflation



2004 Reimbursements/Other Revenue = \$1.2 million

### Transfers vs Inflation



2004 Transfer from Other Funds = \$9.3 million

## ATTACHMENT C – REVENUE LINE ITEMS GROUPED BY CATEGORIES

LICENSES PERMITS FINES	
01-00-00-3161	Transient Vendor
01-00-00-3162	Handicap Parking Permit
01-00-00-3210	FOOD PERMITS
01-00-00-3220	ELECTRICAL PERMITS
01-00-00-3221	NEW CONSTRUCTION PERMITS
01-00-00-3222	DEMOLITION PERMITS
01-00-00-3223	REMODELING PERMITS
01-00-00-3225	TRASH TRUCK LICENSE FEES
01-00-00-3226	TRADES LICENSES
01-00-00-3227	EXAMINATION FEES
01-00-00-3228	COMMERCIAL PARKING PERMITS
01-00-00-3230	BUSINESS PRIVILEGE LICENSE
01-00-00-3250	PLUMBING PERMITS
01-00-00-3251	HEATING PERMITS
01-00-00-3252	OUTDOOR DINING PERMITS
01-00-00-3260	STREETS
01-00-00-3261	PAVEMENTS
01-00-00-3262	HANDICAP PARKING PERMIT
01-00-00-3270	ZONING FEES
01-00-00-3274	DUMPSTER FEES
01-00-00-3275	LAND DEVELOPMENT FEES
01-00-00-3276	PRIVATE PARKING LOT FEE
01-00-00-3280	HOUSING
01-00-00-3282	TAX ADMINISTRATION LICENSES
01-00-00-3283	FRANCHISE FEES
01-00-00-3284	OTHER
01-00-00-3285	NO PARKING SIGNS REVENUE
01-00-00-3286	BICYCLE LICENSES REVENUE
01-00-00-3290	Housing Inspections
01-00-00-3310	TRAFFIC FINES MOTOR CODES
01-00-00-3330	DISTRICT COURT SUMMARY OFFENSE
01-00-00-3333	FINES AND PENALTIES P.S.P.
01-00-00-3334	FINES AND PENALTIES COUNTY
01-00-00-3321-001-00	PENALTY & INT/PAYMENT PLANS
01-08-31-3627	BOMB K-9 SQUAD FEE
01-08-31-3629	ALARM MALFUNCTION FEE
01-00-00-3955	Fees-Water Bureau (Prior Year)
01-06-21-3214	REIMB-COLLECTION EXPENSE
01-06-21-3758	DUPLICATE BILL FEE
01-09-32-3633	FALSE FIRE ALARM FEE
01-09-32-3636	NON FIRE SPILL/LEAKS FEE
01-09-32-3637	Fire Application Fee
01-09-32-3638	OTHER DEPARTMENT EARNINGS - FIRE
	CERTIFIED AMBULANCE GROUP REVENUE

01-00-00-3956	FEES - REDEVELOPMENT AUTHORITY
01-08-31-3630	RESTITUTION
01-00-00-3749	Subordination Fees
01-06-23-3631	TAB CIVIL COSTS
01-08-31-3654	POLICE APPLICATION FEE
01-08-31-3743	Police Application Fee
01-10-36-3277	Restitution
	RESTITUTION
01-10-37-3279	Delinquent Collections
01-11-11-3444	Membership Fees
01-11-11-3743	Planning Map Fees
01-14-91-3743	Property Maintenance Fees
01-14-91-3766	APPEAL FEES
	PROPERTY MAINTENANCE FEES
01-00-00-3750	DAMAGES RECOVERED
01-09-32-3633	BURGLARY/ROBBERY ALARM ORDINANCE
01-09-32-3777	FALSE FIRE ALARM FEE
01-09-33-3558	NON FIRE SPILL/LEAKS FEE
01-09-35-3554	Fire Application Fee
01-09-35-3644	FIRE PREVENTION PERMITS

#### CHARGES FOR SERVICE

01-06-21-3160	ADMISSIONS FEE/TAX
01-00-00-3325	Advertising Revenue
01-10-36-3287	Copies of Books, Ordinance, Etc
01-04-36-3269	Pre-Settlement Inspection Fee
01-01-01-3610	Merchandise Sales
01-02-09-3300	NEWSLETTER ADVERTISING PROCEEDS
01-06-10-3542	SCHOOL DISTRICT COLLECTION
01-06-21-3634	SCHOOL DISTRICT TAX SERVICES
01-06-22-3631	TAX CERTIFICATIONS
01-06-10-3288	Bank Charge Revenue
01-06-10-3743	BANK CHARGE REVENUE
01-07-73-3710	RECREATION ACTIVITIES REVENUE
01-07-74-3277	Day Camp Revenue
01-07-74-3636	OTHER DEPT EARNINGS
01-08-29-3710	RECREATION YOUTH FUND
01-09-32-3623	POLICE SERVICE OTHER/BOOT
01-00-00-3600	COPIES OF BOOKS, ORDINANCES, ETC.
01-00-00-3635	FIRE INSURANCE CERTIFICATION
01-00-00-3636	OTHER DEPARTMENT EARNINGS
01-00-00-3660	RECREATIONAL FACILITIES
01-00-00-3661	SWIMMING POOL
01-00-00-3662	PAGODA & TOWER
01-00-00-3721	SALES PROPERTY/EQUIPMENT/SUPPLIES
01-09-32-3625	FIRE INCIDENT REPORTS
01-07-51-3410-500-00	Towing Revenue
01-06-23-3636	RSD (MAILROOM) PROCESSING SERVICES
01-07-14-3636	RSD (ITD) PROCESSING SERVICES
01-00-00-3741	TELEPHONE COMMISSIONS

01-08-31-3653	PARKING METER RECEIPTS
01-09-32-3613	POLICE SERVICES/COPY SERVICE
01-09-32-3625	TOWING ORDINANCE
01-09-32-3642	FIRE INCIDENT REPORTS
01-09-35-3600	CERTIFIED AMBULANCE GROUP REVENUE
01-09-35-3559	OTHER DEPARTMENT EARNINGS - FIRE
01-10-17-3271	Fire Seminars
01-10-37-3277	Standby Revenue

<b>INTERGOVERNMENTAL</b>	
01-00-00-3510	PAYMENT IN LIEU OF TAXES
01-00-00-3515	Donations in Lieu of Taxes
01-00-00-3520	MALT & LIQUOR TAX DISTRIBUTION
01-00-00-3521	PUBLIC UTILITY TAX DISTRIBUTION
01-00-00-3526	SNOW & ICE CONTROL
01-00-00-3541	READING PUBLIC LIBRARY
01-00-00-3543	SCHOOL DISTRICT SCHOOL GUARD
01-00-00-3550	POLICE TRAINING REIMBURSEMENT
01-00-00-3554	GRANTS AND GIFTS
01-00-00-3560	PENSION-STATE CONTRIBUTIONS
01-01-01-3554	Grants and Gifts
01-07-51-3550	Police Training Reimbursement
01-08-31-3636	SPECIAL POLICE ACADEMY ACCOUNT
	Violence Task force
01-09-32-3620	D.A.R.E PROGRAM

<b>OTHER REVENUES</b>	
01-00-00-3751	INDIRECT COST REIM. - RECYCLING
01-00-00-3752	INDIRECT COST REIMBURSE-SEWER
01-00-00-3753	INDIRECT COST REIMBURSE-CD
01-00-00-3754	DIRECT COST REIMBURSE-LAW
01-00-00-3755	DIRECT COST REIMBURSE-PLANNING
01-00-00-3756	DIRECT COST REIMBURSE CODE SERVICES
01-00-00-3758	Cost Reimbursement-Grants Acct
01-00-00-3759	COST REIMBURSEMENT - PUBLIC WORKS
01-00-00-3760	Salaries reimb union members
01-00-00-3762	PENSION REIMBURSEMENT
01-00-00-3763	DIRECT COST REIMB-CD ADMIN
01-00-00-3764	INDIRECT COST EMS
01-00-00-3951	INDIRECT COST REIM. - WATER
01-00-00-3977	Direct Reimb Sewer
01-00-00-3765	DIRECT COST REIMB.-RECREATION
01-07-73-3765	DIRECT COST REIMB-REC PT
01-07-74-3104	TELEPHONE REIMBURSEMENT
01-07-74-3763	DIRECT COST REIMBURSEMENT-CD
01-08-31-3524	Grant Reimb-Other
01-08-31-3613	Reading Housing Auth.-Reimb.
01-09-00-3561	RDG HOUSING AUTHORITY REIMBURSEMENT

01-07-24-3636	OTHER DEPARTMENTAL EARNINGS
01-07-50-3653	OTHER DEPT EARNINGS - GARAGE
	OTHER DEPT EARNINGS
01-07-51-3554-501-00	15Th Street Alley Assess Reimb
01-07-51-3554-502-00	ALSACE ROAD SPEC ASSESS REIMB
01-07-73-3554	MCKNIGHT ST SPEC ASSESS REIMB
01-07-73-3556	15TH STREET ALLEY ASSESS REIMB
01-00-00-3732	Workman's Comp Reimbursement
01-07-73-3636	MISC DONATIONS FOR RECREATION
01-00-00-3743	MISCELLANEOUS
01-07-74-3743	MISCELLANEOUS INCOME
01-09-32-3639	MISCELLANEOUS REVENUE-DONATIONS
01-07-73-3763	CD REIMBURSEMENT RECREATION
01-07-73-3743	MISCELLANEOUS INCOME
01-07-73-3639	Miscellaneous Revenue-Donation
01-07-50-3743	PUBLIC WORKS MISC REVENUE
01-07-71-3743	MISC REVENUE
	GRANT REIMBURSEMENT
	MISCELLANEOUS INCOME
	REIMB DRUG TESTING
01-08-31-3632	OTHER DEPT EARNINGS
01-08-31-3650	DONATIONS-MISCELLANEOUS
01-08-31-3554	GRANT REIMB-SALARIES & FRINGE
01-08-31-3554-001-00	GRANT REIMB - OTHER
01-08-31-3777	OTHER DEPARTMENT EARNINGS - POLICE
01-09-32-3637	H & L REIMB- POLICE
01-09-32-3638	Fireman Relief Assoc- Contrib.
01-09-35-3641	REVENUE FOR SCHOOL PROGRAM
01-09-35-3671	H & L REIMB - FIRE
01-10-36-3279	Grants and Gifts
01-10-36-3281	Reimb. for Equip/Supplies
	SHADE TREE COMMISSION DONATION
	BC/BS INSURANCE REIMBURSEMENT
01-00-00-3324	ESTATE OF SAMUEL POTTEIGER
01-00-00-3323	PA LEAGUE OF CITIES - SPONSORSHIPS
01-18-91-3554	MISC REVENUE
01-00-00-3730	REFUND PRIOR YEARS EXPENSE
	OTHER DEPARTMENT EARNINGS
01-14-91-3905	GRAFFITI REIMBURSEMENTS

#### INTEREST & RENT

01-00-00-3766	CD Bond Interest
01-00-00-3776	CD BOND INTEREST
01-16-00-3300	RENTAL - PARKING AUTHORITY
01-00-00-3420	RENT OTHER PROPERTY BUILDINGS
01-00-00-3421	RENTAL ON STADIUM
01-00-00-3429	LEASE RENTAL/GREATER BERKS DEV FUND
01-00-00-3430	LEASE RENTAL/PARKING AUTHORITY
01-07-51-3410-502-00	INSTALL INT FROM ALSACE ROAD

01-07-51-3412	INSTALL INT FROM MCKNIGHT ST
	INSTALL INT FROM 15TH ALLEY RECON.
01-00-00-3410	INTEREST ON INVESTMENTS
01-00-00-3411	REPO INTEREST

**TOTAL INTEREST &  
RENT**

**OTHER FINANCING  
SOURCES**

01-00-00-3909	EMS TRANSFER
01-00-00-3910	TRANSFER FROM CAPITAL RESERVE CITY
01-00-00-3925	TRANSFER FROM 85 BOND FUND
01-00-00-3926	TRANSFER TO BOND FUND
01-00-00-3931	TRANSFER - AGENCY
01-00-00-3950	TRANSFER - WATER BUREAU
01-00-00-3954	TRANSFER FROM SEWER GENERAL
01-07-51-3552	Forward Bond Sale
01-00-00-3409	Note Payable Interest
01-00-00-3412	Forward Bond Sale